ASSESSING THE ROLE THAT PERCEPTION OF CORPORATE IDENTITY AND CORPORATE SOCIAL RESPONSIBILITY PRACTICES PLAY IN THE INVESTMENT INTENTION OF POTENTIAL INDIVIDUAL INVESTORS

by

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DECLARATION

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ABSTRACT

Worldwide, an increasing number of companies are using corporate social responsibility (CSR) activities as a business tool to promote financial returns, cultivate a favourable reputation, and enhance workforce productivity. Given the growing importance of sound CSR practices and considerable corporate investment in CSR activities, it is essential to understand how these activities impact on decisions made by different stakeholders.

Previous researchers mainly focused on the effects of CSR on customers' intent to purchase. Very limited research has been conducted to understand the effect of CSR on other key stakeholders, including investors. While traditional finance theories are based on the assumption that rational investors evaluate investment decisions purely on risk-return considerations, behavioural finance theory proposes that investors' attitudes towards a particular firm could influence their decision to invest in the firm.

This study was undertaken to address the identified knowledge gap by assessing the role that perception of corporate identity and CSR practices play in the investment intention of potential individual investors, by adapting a dual-process model that was developed based on consumer behavioural constructs. The first part of the model accounted for the bond between an investor and the selected company (Nedbank) in terms of corporate identity. The second part of the model incorporated investors' perceptions of the specific CSR practices of Nedbank.

The model was assessed by an electronic questionnaire distributed to all students registered at Stellenbosch University during the second semester of 2019. In response to this invitation, 1 649 usable questionnaires were received.

The descriptive statistics revealed that the respondents had a positive perception of Nedbank's corporate identity. They perceived Nedbank to perform better on the corporate expertise than the corporate values dimension. Although the respondents had a very favourable attitude towards CSR initiatives in general, they were concerned that Nedbank performed poorly regarding some of their CSR practices. The results furthermore indicated that the respondents were not really familiar with Nedbank's CSR practices.

The partial least square structural equation modelling inferential analysis indicated that discretionary and relational CSR practices had more predictive relevance towards corporate values than corporate expertise, while moral CSR practices strongly predicted the perception of both dimensions. In turn, the perception of both corporate values and corporate expertise strongly predicted investment intention. Although corporate expertise and corporate values acted as mediators between all the types of CSR practices and investment intention, the significance was weak. The effect of CSR familiarity on investment intention was neither mediated by corporate values nor corporate expertise. The results revealed that CSR familiarity had a strong positive direct effect on investment intention.

Based on the results, the researcher recommends that CSR programmes should effectively be communicated and promoted to investors as it plays a significant role in their investment decision-making. Furthermore, companies are encouraged to commence their CSR journey by addressing moral CSR practices as it was shown to be the most beneficial in enhancing potential investors' perceptions of corporate identity and, therefore, their investment intention. Companies should continuously focus on their CSR behaviour to attract potential investors.

Key words: Attitude; corporate identity; corporate social responsibility; investment intention; perception; socially responsible investment

OPSOMMING

Wêreldwyd gebruik ondernemings toenemend korporatiewe sosiale verantwoordelikheid (KSV) aktiwiteite as ŉ besigheidsinstrument om finansiële opbrengste te bevorder, ŉ gunstige reputasie te bou en die produktiwiteit van werknemers te verhoog. Gegewe die toenemende belang en aansienlike korporatiewe belegging in KSV-aktiwiteite, is dit noodsaaklik om te verstaan hoe hierdie aktiwiteite die besluite van verskillende belanghebbendes beïnvloed.

Vorige navorsers het meestal die invloed van KSV-aktiwiteite op verbruikersbesluitneming ondersoek. Beperkte navorsing is egter gedoen om die effek van KSV aktiwiteite op ander belanghebbendes, insluitend beleggers, te verstaan. Alhoewel tradisionele finansiesteorieë op die aanname dat rasionele beleggers beleggingsbesluite op risiko-opbrengs-oorwegings neem gebaseer is, stel gedragsfinansies voor dat die houding van beleggers teenoor 'n spesifieke onderneming hul besluit om in die onderneming te belê, kan beïnvloed.

Die hoofdoel van hierdie studie was om die geïdentifiseerde navorsingsgaping aan te spreek deur die rol wat die persepsie van korporatiewe identiteit en KSV-praktyke in die beleggingsintensie van potensiële individuele beleggers speel te bestudeer deur 'n tweeledige model, wat op grond van verbruikersgedragskonstrukte ontwikkel is, aan te pas. Die eerste deel van die model bestudeer die verband tussen 'n belegger en die geselekteerde maatskappy (Nedbank) ten opsigte van korporatiewe identiteit. Die tweede deel van die model bestudeer beleggers se persepsie van die spesifieke KSV-praktyke van Nedbank.

Die model is beoordeel aan die hand van ŉ elektroniese vraelys wat aan alle studente wat gedurende die tweede semester van 2019 by die Universiteit Stellenbosch geregistreer was, versprei is. Vir die studie is 1 649 bruikbare vraelyste ontvang.

Die beskrywende statistiek het aangedui dat die respondente 'n positiewe persepsie van Nedbank se korporatiewe identiteit het. Hulle het gevoel dat Nedbank beter presteer in die korporatiewe kundigheid dimensie as die dimensie van korporatiewe waardes. Alhoewel die respondente 'n baie gunstige houding teenoor KSV-inisiatiewe in die algemeen gehad het,

het hulle gevoel dat Nedbank swak presteer ten opsigte van sommige van hul KSV-praktyke. Die resultate het aangedui dat die respondente nie regtig vertroud was met Nedbank se KSV-praktyke nie.

Die “partial least squares structural equation modelling” analise het aangedui dat diskresionêre en relasionele KSV-praktyke die korporatiewe waardes dimensie van korporatiewe identiteit voorspel, terwyl morele KSV-praktyke beide dimensies van korporatiewe identiteit sterk voorspel het. Die persepsie van korporatiewe waardes en kundigheid het beleggingsintensie sterk voorspel. Alhoewel korporatiewe kundigheid en waardes as bemiddelaars opgetree het tussen alle soorte KSV-praktyke en beleggingsintensie, was die beduidendheid swak. Die invloed van KSV-kennis op beleggingsintensie is nie bemiddel deur korporatiewe waardes of kundigheid nie. Die resultate het aan die lig gebring dat bekendheid met KSV-aktiwiteite ʼn sterk direkte invloed op beleggingsintensie het.

Op grond van die resultate beveel die navorser aan dat KSV-programme effektief aan beleggers gekommunikeer en bevorder moet word, aangesien dit 'n beduidende rol in hul beleggingsbesluitneming speel. Verder word ondernemings aangemoedig om hul KSV-reis te begin deur morele KSV-praktyke aan te spreek, aangesien dit die voordeligste is om potensiële beleggers se persepsie van korporatiewe identiteit te bevorder, en sodoende hul beleggingsintensie te bevorder. Maatskappye moet voortdurend op hul KSV-gedrag fokus om potensiële beleggers te lok.

Sleutelwoorde: Beleggingsintensie; houding; korporatiewe identiteit; korporatiewe sosiale verantwoordelikheid; persepsie**;** sosiaal verantwoordelike belegging

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LIST OF ACRONYMS AND ABBREVIATIONS

AIDS	-	Acquired Immune Deficiency Syndrome
AVE	-	average variance extracted
B-BBEE	-	Broad-Based Black Economic Empowerment
CAPM	-	capital asset pricing model
CB-SEM	-	covariance-based structural equation modelling
CED	-	Committee for Economic Development
CEO	-	chief executive officer
CFO	-	chief financial officer
CFP	-	corporate financial performance
CI	-	confidence interval
CR	-	composite reliability
CSP	-	corporate social performance
CSR	-	corporate social responsibility
DESC	-	Departmental Ethics Screening Committee
EMH	-	efficient market hypothesis
ESG	-	environmental, social and corporate governance
EUT	-	expected utility theory
FTSE	-	Financial Times Stock Exchange
GRI	-	Global Reporting Initiative
GSIA	-	Global Sustainable Investment Alliance
HIV	-	Human Immunodeficiency Virus
HTMT	-	heterotrait-monotrait
ICCR	-	Interfaith Center on Corporate Responsibility
IoDSA	-	Institute of Directors in South Africa
IRC	-	Integrated Reporting Council
JSE	-	Johannesburg Stock Exchange
OECD	-	Organisation for Economic Co-operation and Development
OLS	-	ordinary least squares
PLS	-	partial least squares
PLS-SEM	-	partial least squares structural equation modelling

PRI	-	Principals for Responsible Investment
REC	-	Research Ethics Committee
SEM	-	structural equation modelling
SIG	-	special interest groups
SRI	-	socially responsible investment
TPB	-	theory of planned behaviour
TRA	-	theory of reasoned action
UK	-	United Kingdom
UNGC	-	United Nations Global Compact
US	-	United States
VAF	-	variance accounted for
VIF	-	variance inflation factor
WWF-SA	-	World Wide Fund for Nature South Africa

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CHAPTER 1

INTRODUCTION AND BACKGROUND TO THE STUDY

1.1 INTRODUCTION

Two well published corporate social responsibility (CSR) authors, namely Porter and Kramer (2006), expressed the view that “if corporations were to analyse their prospects for social responsibility using the same framework that guide their core business choices, they would discover that it can be much more than a cost, a constraint, or a charitable deed – it can be a source of opportunity, innovation, and competitive advantage.” Porter and Kramer (2011) also emphasised that investing in social responsibility can result in shared value creation for several stakeholders, including business, society and the environment.

A growing number of companies around the globe are acknowledging CSR and invest in such activities to, inter alia, generate financial return, cultivate a favourable reputation, and enhance workforce productivity (Dowling & Moran, 2012). The Fortune Global 500 firms spend approximately $20 billion per annum on CSR activities (Meier & Cassar, 2018). Given the importance of and considerable corporate investment in CSR activities, it is essential to understand how CSR could impact decisions made by different stakeholders. Although some researchers investigated the impact of CSR on consumers (Brown & Dacin, 1997; Murray & Vogel, 1997; Sen & Bhattacharya, 2001; David, Kline & Dai, 2005), very limited attention was given to the impact thereof on investors. While traditional finance theories are based on the assumption that rational investors base investment decisions purely on risk-return considerations, behavioural finance theory proposes that investors’ attitudes towards a particular firm could influence their decision to invest in the firm (East, 1993).

Given that there is a close relationship between behavioural finance and consumer behaviour, some researchers have suggested that consumer theories and marketing research techniques could be used to study individual investors’ preferences and decision-making (Statman, 2004; Lim, Soutar & Lee, 2013). This study was undertaken to address the identified knowledge gap by investigating the effect of CSR practices on investors’ intent to invest, by adapting a dual-process model that was developed in marketing research based on consumer behavioural constructs (David *et al*., 2005).

The remainder of this chapter consists of seven sections, which commences with a background discussion, followed by the problem statement, research objectives and methodology. A discussion of the reliability, validity and ethical considerations are provided, followed by the contribution of the study. Finally, the orientation of the study is provided.

1.2 BACKGROUND TO THE STUDY

In this section, a brief overview of traditional finance and behavioural finance theory is provided. Aspects regarding investment behaviour, attitude and perception, corporate identity and CSR are also briefly discussed.

1.2.1 Traditional and behavioural finance theories

Traditional finance theory emerged in the 1900s and forms the basis for most financial research (Ricciardi & Simon, 2000). This theory is built upon four main arguments, namely that investors are rational, markets are efficient, investors' portfolios are based purely on risk and return considerations, and that the capital asset pricing model (CAPM) and/or multi-factor models are used to inform investment decisions (Subrahmanyam, 2008). Although these arguments might be deemed valid, the foundations of these models are built on how market participants should behave, rather than how they actually behave.

During the past 30 years, psychologists have found that some investors make decisions that differ from those proposed by the traditional finance models (Ricciardi & Simon, 2000; Suryawanshi & Jumle, 2016). This realisation contributed to the development of several behavioural finance theories that attempt to explain and improve investors' awareness regarding the cognitive psychological processes and emotional factors that influence their financial decisions (Fama, 1998; Ricciardi & Simon, 2000; Guzavicius, Vilke & Barkuaskas, 2014). Behavioural economists proposed that a variety of psychological factors could impact investment behaviour.

1.2.2 Investment behaviour

Several factors are considered during the investment decision-making process, including perception, beliefs, demographic factors, accounting factors, risk, and firm image (Antonides & Van Der Sar, 1990; Subash, 2012; Parumasur & Roberts-Lombard, 2014). A pertinent psychological aspect that has an influence on behaviour and decision-making, is attitude (as defined in Section 1.2.3) (Fishbein & Ajzen, 1975).

Several researchers have suggested that perceptions and evaluations of companies' products and brands might play a role in an individual's investment decisions (Clark-Murphy & Soutar, 2004; Frieder & Subrahmanyam, 2005; Lim *et al*., 2013). Aspara and Tikkanen (2008) suggested that individuals' attitudes towards a company, their tendency to invest in a company's shares and their tendency to buy the products of a company are likely to interact.

Individual investors' experience with a company's products, their perceived personal relevance attached to areas of interest presented by the company's products, as well as their identification with the company's CSR actions appear to play a role in their investment decision-making processes (Brown & Dacin, 1997; Aspara & Tikkanen, 2010; Lim *et al*., 2013). These results provide evidence that investors' attitudes and perceptions regarding a variety of factors associated with a company play a role during their investment decision-making processes.

1.2.3 Attitude and perception

Hogg and Vaughan (2008) described attitude as a "relatively enduring organisation of beliefs, feelings, and behavioural tendencies towards socially significant objects, groups, events, or symbols." Attitude is composed of affective, behavioural and cognitive components (Jain, 2014). The affective component involves a person's feelings and recognition of an attitude object (Zikmund, Babin, Carr & Griffin, 2013). In contrast, the behavioural component refers to the actions or response that has the attitude object as a result (Ajzen, 1989). The cognitive component involves a person's beliefs, knowledge or perception related to the attitude object (Jain, 2014). Erasmus (2017) found that the affective and cognitive components of attitude influence young investors' intent to invest.

The cognitive component of attitude is strongly influenced by perception. According to Reitz (1977), "perception includes all those processes by which an individual receives information about his environment - seeing, hearing, feeling, tasting and smelling." Perception is an important psychological factor that affects human behaviour (Parumasur & Roberts-Lombard, 2014). When attempting to improve understanding of investment behaviour, it is thus essential to incorporate perceptions regarding the different investment options. There are many factors that impact individual investors' perceptions of a company, which in turn could influence their investment behaviour. Some authors suggested that more research should be conducted to understand the value of a positive corporate identity and the impact thereof on behavioural intention of customers, employees and investors (Brown & Dacin, 1997; Maignan & Ferrell, 2001; Shamma & Hassan, 2009).

1.2.4 Corporate identity

Stakeholders' perceptions of an organisation's corporate identity plays an important role in their decision-making processes (Brown & Dacin, 1997). Corporate identity is defined as an organisation's central, distinctive and enduring character perceived by its members (Schmidt, 1995). The corporate identity construct has been divided into different dimensions to capture the essence thereof within various study fields. Given that financial and marketing researchers tend to focus on the impact of corporate identity on financial outcomes, corporate expertise receives considerable attention.

Corporate expertise is defined as the ability of an organisation to detect, assess, and satisfy consumers' needs, wants and desires by being the leader in a product or service category (David *et al*., 2005). Corporate expertise includes tangible and intuitive factors such as the experience and skills of the chief executive officer (CEO), superiority of internal research and development and the resulting technological innovation (Brown & Dacin, 1997; David *et al*., 2005). In addition to corporate image considerations, potential individual investors consider accounting factors when they are making investment decisions (Al-Tamini, 2006; Subash, 2012; Ponnamperuma, 2013). Corporate expertise should, hence, be incorporated when analysing a company's corporate identity for product purchasing and investing purposes.

Consumers, employees and investors have also become concerned with purchasing products from, seeking employment with and investing in companies that demonstrate a socially and environmentally responsible image (Alniacik, Alniacik & Genc, 2011). Consequently, the corporate values dimension of corporate identity should be included when research involves investors. This dimension focuses on social values with the goal to improve the well-being of society and the environment. It is represented by the organisation's commitment to its moral, ethical, social and environmental obligations. Related traits include compassion, activism, sincerity and trustworthiness (David *et al*., 2005). A firm's corporate values include its CSR activities (ibid). Empirical data confirm that CSR has a positive impact on corporate image and corporate reputation (Meehan, Meehan & Richards, 2006; Maruf, 2013). When assessing corporate values, it is therefore important to obtain a clear understanding of CSR, and to critically evaluate a firm's CSR activities.

1.2.5 Corporate social responsibility

According to Carroll (1979), the social responsibility of a company encompasses society's economic, legal, ethical and discretionary expectations. Hopkins (1998) argued that CSR is concerned with treating stakeholders ethically and that socially responsible behaviour is likely to increase the development of all stakeholders. CSR is regarded as a strategic tool to gain a competitive advantage and to promote business performance (Porter & Kramer, 2006).

Carroll's (1979) corporate social performance (CSP) model captures the three major dimensions of CSR, namely social responsibilities, philosophy of social responsiveness and social issues. For the purpose of the current study, focus was placed on the social responsibilities and social issues dimensions, since they capture the CSR values of a company. CSR activities could be captured by moral/ethical practices, discretionary practices and relational practices. Moral/ethical practices involve norms, standards, values and expectations that reflect what stakeholders regard as fair, just and consistent with moral rights (Carroll & Buchholtz, 2015). Discretionary practices refer to voluntary/philanthropic responsibilities, while relational practices refer to the relationship between a company and its stakeholders regarding social issues (Carroll & Buchholtz, 2015).

The relationship between corporate financial performance (CFP) and CSP is important, since some investors want to invest responsibly, but they also require adequate returns. A responsible investor is an investor who integrates ethical as well as environmental, social and corporate governance (ESG) considerations into their financial analysis and investment decision-making (Viviers, Bosch, Smit & Buijs, 2009). Some investors question whether higher CSR activities translate into higher sales and profits. Although concerns have been raised that CSR activities are associated with significant costs, Sen, Bhattacharya and Korschun (2006) argued that companies with positive CSR reputations may acquire loyal customers, employees and suppliers, and that their continual support could lead to higher profits.

The relationship between CFP and CSP is important, since healthy financial returns increase investment intention (Michelson, Wailes, Van Der Laan & Frost, 2004; Al-Tamini, 2006; Nilsson, 2008). Several researchers have investigated the relationship between CFP and CSP and reported inconclusive results (Waddock & Graves, 1997; Brammer, Brooks & Pavelin, 2006; Breuer & Nau, 2014; Friede, Busch & Bassen, 2015). Based on a positive relationship reported between CFP and CSP by some of these researchers, one could argue that a company’s CSR practices might have an impact on investors’ intent to invest in that particular company due to the expected financial benefits.

1.2.6 The role of corporate social responsibility in stakeholder decision-making

Even though a growing number of organisations are introducing CSR initiatives, only a few researchers have examined the actual effects thereof on stakeholders (mainly pertaining to customers’ intentions and attitudes). Previous researchers have established that CSR actions affected consumers’ evaluations of a company (Brown & Dacin, 1997; Sen & Bhattacharya, 2001). David *et al*. (2005) added that the CSR values of a company, brand familiarity and CSR familiarity significantly influenced customers’ purchase intention. Sen *et al*. (2006) reported that CSR activities have the potential to increase not only CSR associations, attitudes and identification, but also the intent of stakeholders to commit personal resources (e.g. money, labour, etc.) to the benefit of the company. In contrast, Smith and Stodghill (1994) found that CSR activities are not directly related to purchase intention.

Mackey, Mackey and Barney (2007) reasoned that the opportunity to invest in a firm engaging in CSR is a 'product' that firms sell to current and potential investors. Some researchers have suggested that consumer theories and marketing research techniques should be used to study individual investor preferences and decision-making (Statman, 2004; Fama & French, 2007). Several authors mentioned that research on the effect of CSR on key stakeholders, specifically investors, should be expanded (Murray & Vogel, 1997; Alniacik *et al*., 2011; Pérez & Del Bosque, 2012; Lim *et al*., 2013).

1.3 PROBLEM STATEMENT

Organisations have responsibilities towards different stakeholders whose well-being are affected by the organisations' activities (Alniacik *et al*., 2011). An increasing number of companies around the globe are acknowledging and addressing CSR. As such, CSR activities are increasingly used as a business tool to promote financial returns, cultivate a favourable reputation and enhance workforce productivity (Dowling & Moran, 2012).

Previous researchers mainly focused on the effects of CSR on customers' intent to purchase. Brown and Dacin (1997) established that CSR actions affected consumers' evaluation of a company, which in turn affected their preference for new products. Sen and Bhattacharya (2001) argued that consumers' perceptions of corporate characteristics play a mediating role in this regard. David *et al*. (2005) added that the CSR values of a company significantly influenced customers' purchase intention.

Some researchers have suggested that consumer theories and marketing research techniques could be used to study individual investor preferences and decision-making (Statman, 2004; Fama & French, 2007; Lim *et al*., 2013). By accounting for behavioural finance theory, East (1993) reported that individual investors' attitudes towards a particular firm could influence their decision to invest in the firm. As far as could be established, very limited research has been conducted to evaluate the effect of CSR perception on individual investor intentions.

Therefore, this study was conducted to address the identified knowledge gap by investigating the role that perception of corporate identity and CSR practices play in individuals' intent to invest. A dual-process model that was developed by David *et al*. (2005), based on consumer behavioural constructs, was adapted by replacing the purchase intention construct in the model with investment intention (refer to Appendix A).

1.4 RESEARCH OBJECTIVES

Details will now be provided on the primary and secondary research objectives.

1.4.1 Primary objective

The primary objective of this study was to assess the role that perception of corporate identity and CSR practices play in the investment intention of potential individual investors.

1.4.2 Secondary objectives

To address the primary research objective, five secondary objectives were formulated, namely:

- To assess the effect of CSR practices on the expertise and value dimensions of corporate identity.
- To assess the importance of the expertise and value dimensions of corporate identity as part of individuals' intent to invest.
- To assess whether CSR practices affect individuals' intent to invest through the dimensions of corporate identity.
- To assess the effect of CSR familiarity on individuals' intent to invest.
- To assess the effect of brand familiarity on individuals' intent to invest.

Based on these secondary objectives, 18 hypotheses were formulated (refer to Section 4.4) to investigate the interrelated associations between the variables.

1.5 RESEARCH DESIGN AND METHODOLOGY

The research design is used to guide the process of data collection and analysis (Wild & Diggines, 2013), as explained in the following sections.

1.5.1 Research design

Exploratory and descriptive research were conducted to address the research objectives. The researcher firstly conducted exploratory research to determine which company should be included in the electronic survey. After a company (Nedbank Group Limited) (henceforth referred to as Nedbank) was selected, descriptive research was conducted to investigate the role that perception of corporate identity and CSR practices play in individuals' investment decisions.

Social science researchers mainly rely on positivistic or interpretive research paradigms (Hudson & Ozanne, 1988). The positivistic paradigm that was adopted for the purpose of this study is based on the philosophy that observation and reason are the means of understanding human behaviour (Henning, Van Rensburg & Smit, 2004). This paradigm is associated with quantitative data collection and analysis (Blaxter, Hughes & Tight, 2006).

1.5.2 Secondary research

Secondary research was conducted by evaluating existing literature to identify the research gap. Relevant textbooks and academic journal articles were reviewed. To develop the questionnaire, information was required on Nedbank's CSR practices and CSR ratings. The sustainability reports of Nedbank were sourced from the bank's website (Nedbank Group, 2018). The CSR rating were obtained from CSRHub (2019). This database contains CSR ratings of companies based on their impact on the environment, employees, community and governance (ibid). This database was also used to design a CSR practices measure. This metric was employed to measure the respondents' perceptions of the concrete actions and behaviour of Nedbank. More details on the application of this metric are provided in the next section.

1.5.3 Primary research

Primary quantitative data were collected for the study. A discussion of the paper-based and electronic surveys as well as the application of the adapted dual-process model is provided in this section.

1.5.3.1 Measurement instrument

The researcher had to select an appropriate company to examine the dynamics between CSR behaviour and corporate identity. A paper-based questionnaire was used for this purpose. The questionnaire tested the respondents' unaided recall of a South African company with a good CSR reputation as well as their familiarity with companies in the banking, retail and mobile network provider sectors. Appendix C contains the paper-based questionnaire. Based on the results from this questionnaire, Nedbank was selected for the study. Refer to Section 4.8.1.2 for more details pertaining to this selection process. The sample is discussed in Section 1.5.3.2.

A dual-process model that was developed by marketing researchers David *et al*. (2005) based on consumer behavioural constructs was adopted and used to assess the role that the perception of corporate identity and CSR practices play in individuals' investment decisions. The first part of the model accounted for the bond between an investor and the selected company (Nedbank) in terms of corporate identity (expert, skilled, experienced, innovative, activist, compassionate, sincere and trustworthy). The second part of the model incorporated investors' perceptions of the specific CSR practices (relational, moral and discretionary actions) of Nedbank. Appendix A contains an illustration of the adapted dual-process model.

The model was implemented by means of an electronic questionnaire. Table 1.1 indicates the measurement and questions that were used for each construct as well as the Likert scale options that were provided.

Table 1.1: Electronic questionnaire content

Construct	Measurement	Questions	Likert scale options
Brand familiarity	Nedbank was selected based on the focus group's responses	How familiar are you with Nedbank?	Not at all familiar to very familiar
Perception of the company's corporate identity	Corporate identity scale developed by David *et al*. (2005); scale presented respondents with eight traits (expert, skilled, experienced, innovative, activist, compassionate, sincere and trustworthy)	In your opinion, to what extent does each of the following traits describe Nedbank?	Does not describe the company to accurately describes the company
Respondent's personal salience with CSR practices	CSRHub sub-categories (The items in the CSR measurement scale is represented in Table 4.8)	In your opinion, how important is each of these attributes when you think about the CSR concept?	Not at all important to very important
Perception of CSR practices of South African companies	CSRHub sub-categories (The items in the CSR measurement scale is represented in Table 4.8)	Please rate how you think Nedbank performs relating to the indicated CSR practices.	Performs very poorly to performs very well
CSR familiarity	Nedbank's CSR actions that were recently (2018/2019) mentioned in the media	Please indicate how familiar you are with the indicated CSR practices of Nedbank.	Not at all familiar to very familiar
Investment intention	Investment intention was measured at three stages in the questionnaire. Firstly, purely based on the respondents' perceptions of Nedbank's CSR practices. Secondly, the respondents were presented with Nedbank's actual CSR practices. Thirdly, the respondents were provided with an actual CSR score for Nedbank, obtained from the CSRHub (2019) database.	Please indicate how likely you are to invest in Nedbank's shares.	Very unlikely to very likely

The demographic questions that were included in the questionnaire focused on the age, gender, education level, and field of study of the participants. The questionnaire was concluded by asking the respondents to enter their email address if they wished to take part in the lucky draw. Appendix E contains the online questionnaire.

1.5.3.2 Sampling

The paper-based questionnaire was distributed among a focus group of business management honours students during the second semester of 2019 to select a company for this study, as explained in Section 1.5.3.1. Thereafter, the population and sample pertaining to the electronic questionnaire were defined. The population consisted of students registered at Stellenbosch University during the second semester of 2019. As students are anticipating income, they are likely to associate with financial planning. Students might, furthermore, be prospective investors and regard themselves as stakeholders of a specific company. They might exhibit the tendency of deliberate investing in a company based on its CSR activities, since young individuals are considered to be more sensitive to CSR issues than mature individuals (Sen *et al*., 2006; Nilsson, 2008; Junkus & Berry, 2010). Section 4.6.4.1 contains more details on arguments in favour of selecting students as research participants.

The online questionnaire was distributed by means of an email message. Non-probability sampling was employed, as participation in the study was voluntary and the probability that a member of the population responded was unknown. The convenience sampling technique was used to select respondents, since all students enrolled at Stellenbosch University have a student email address based on their student number that are conveniently available at the Registrar's office.

1.5.4 Data analysis

Descriptive analysis was conducted to describe the basic characteristics of the collected dataset. Measures of central tendency and variability were employed. Thereafter, inferential analysis allowed the researcher to make well-informed inferences about the population in question. Partial least squares (PLS) structural equation modelling (SEM) (abbreviated as PLS-SEM) was employed to examine the interrelationships between the variables included in the model.

When conducting PLS-SEM analysis, the path model is divided into a structural model and a measurement model (Chin, 1998). The structural model describes the hypothesised paths between the constructs and was evaluated by testing for multicollinearity, evaluating *R*-squared values and estimating the path coefficients (Hair, Hult, Ringle & Sarstedt, 2014a). The significance of the path coefficients was determined by considering the standard errors that were obtained through the nonparametric bootstrapping procedure. This procedure entails the performance of a Student's t-test, which provides confidence intervals for all the path coefficient estimates and indicates their level of significance (Tenenhaus, Vinzi, Chatelin & Lauro, 2005; Wong, 2013).

1.6 VALIDITY, RELIABILITY AND ETHICAL CONSIDERATIONS

Internal, external and construct validity were assessed. Internal validity was ensured by holding as many factors as possible constant. A single researcher applied the measurement for the study. Regarding the external validity, the findings are only generalisable for students who studied at Stellenbosch University during the second semester of 2019. The “real world” applicability of the findings is evident in Chapters 6 and 7. Pertaining to construct validity, the convergent and discriminant validity of each construct were determined to ensure that the constructs were measured by using appropriate instruments. The average variance extracted (AVE) measure and heterotrait-monotrait (HTMT) ratio were calculated to determine convergent and discriminant validity, respectively.

The questionnaire that was developed and tested by David *et al*. (2005) was adapted and applied in this study. The questions in the second part of the amended questionnaire were developed for the purpose of this study. Therefore, the internal consistency reliability was assessed by calculating Cronbach’s alpha and composite reliability (CR) values. More details on the validity and reliability of the constructs are provided in Section 4.10.

Pertaining to ethical considerations, the study was classified as a low risk study. The purpose of the study and the benefits of participating in the research were specified in the email that was sent to the respondents containing the link to the electronic questionnaire. The consent forms that accompanied both questionnaires clearly indicated that participation in the study was voluntary and that no individual would be negatively affected in any way if he/she declined to participate. Appendices B and D contain the paper-based and electronic consent forms, respectively.

After ethical clearance was obtained from the Research Ethics Committee (REC) of Stellenbosch University (REC-2019-9950), the researcher applied for institutional permission (IRPSD-1581) that enabled her to distribute the online questionnaire to students registered at Stellenbosch University during the second semester of 2019.

1.7 CONTRIBUTION OF THE STUDY

Literature shows that perceptions of CSR practices have an impact on customers' attitudes and their purchase intentions. This investigation expanded on previous research to determine whether CSR has an impact on investors' intention to invest. This study makes a methodological contribution by adapting David *et al*.'s (2005) dual-process model for the investment context.

Practitioners need to develop a better understanding of the factors that impact investors' intention to invest in companies. The findings of this study, hence, provide insight on how the perceived social and/or environmental responsibility of a particular company impact on selected potential investors' attitudes and, therefore, their intention to invest. Practical guidance is offered in Chapter 7 on how corporate resources can be optimally allocated to efficiently communicate CSR initiatives to investors.

1.8 ORIENTATION OF THE STUDY

The thesis comprises seven chapters.

Chapter 1: Introduction and background to the study

In this chapter, a background discussion on finance theories, attitude and perception, corporate identity, CSR and investment decision-making are provided. The problem statement and research objectives are then formulated, followed by an overview of the research design, methodology, validity, reliability and ethical considerations as well as the contribution of the study. Lastly, an orientation of the study is provided.

Chapter 2: Finance theories, perception and corporate identity

The second chapter provides details on selected traditional and behavioural finance theories. Pertinent attention is then given to attitude, perception and corporate identity.

Chapter 3: The role of corporate social responsibility in investment decision-making

The third chapter covers the development and definition of CSR. The impact of CSR practices on responsible and mainstream investment decision-making is discussed. An overview of previous studies on the impact of CSR on different stakeholders is also included.

Chapter 4: Research design and methodology

This chapter describes the adopted methodology, including a discussion on secondary and primary research. Details pertaining to the target population, sampling procedure, and data collection instruments are also provided. The statistical analyses are explained, and an overview of reliability, validity and ethical considerations are included.

Chapter 5: Results: Descriptive statistics

In Chapter 5, the descriptive statistics for the demographic profile of the respondents are reported. The descriptive statistics of the variables that were used to estimate brand familiarity, corporate identity, attitude towards CSR practices, CSR familiarity and investment intention are also discussed.

Chapter 6: Results: Inferential statistics

Chapter 6 provides the results of the PLS-SEM analysis of the measurement and structural model. The measurement model assessment includes the evaluation of internal consistency reliability, convergent validity, discriminant validity and the outer loadings for the constructs. The evaluation of the structural model includes the assessment of multicollinearity, coefficient of determination and path coefficients. The results of the hypotheses testing are discussed.

Chapter 7: Conclusions and recommendations

The final chapter provides a summary of the study and contains conclusions based on the literature review and reported results. Recommendations are offered to a range of stakeholders. Suggestions for future research are also formulated, based on the identified limitations. The chapter concludes with some final remarks.

CHAPTER 2

FINANCE THEORIES, PERCEPTION AND CORPORATE IDENTITY

2.1 INTRODUCTION

"There are things known and there are things unknown, and in between are the doors of perception."

This quote by the philosopher Aldous Huxley (1894-1963) (in Brown, 2015) highlights the complex nature of the mental space between the known and the unknown (perception) that makes it challenging to describe the phenomenon. Taken from the Latin word *percipere*, which means 'to understand', perception could be deemed an impression. As indicated in Section 1.4, the aim of this study was to assess the role that perception of corporate identity and CSR practices play in the investment intention of potential individual investors. In this chapter, a literature review covering aspects of traditional and behavioural finance theory are provided. These concepts are discussed as it is important to understand how individuals make financial decisions based on finance theories. Pertinent attention is given to attitude, perception and corporate identity.

The chapter commences with an overview of traditional finance theories in Section 2.2, followed by a discussion on relevant behavioural finance theories in Section 2.3. Thereafter, attention is given to aspects regarding investor behaviour (Section 2.4), and attitude and perception (Section 2.5). The perceptual process as well as the relationship between perception and investor behaviour is explained, followed by a discussion on corporate identity in Section 2.6.

2.2 TRADITIONAL FINANCE THEORY

Traditional finance theory typically forms the foundation for finance-related research, based on four main arguments pertaining to investors and markets (Ricciardi & Simon, 2000).

These arguments include that investors are rational, markets are efficient, investors' portfolios are based purely on risk and return considerations, and that the CAPM and/or other multi-factor models are used as selection criteria for investment decisions (Subrahmanyam, 2008). Some of these main 'building blocks' of traditional finance theory are linked to the expected utility theory (EUT) and portfolio theory, the CAPM and multi-factor models and the efficient market hypothesis (EMH).

2.2.1 Expected utility theory

EUT is a widely applied approach to decision-making when faced with uncertain outcomes (De Bondt & Thaler, 1985; Bekker, 2009). The EUT was originally proposed by a mathematician, Daniel Bernoulli (1700-1782) in the eighteenth century (Machina, 1987), but the theory was only accepted by most utility theorists in the early 1950s (Moscati, 2017). The wider adoption of EUT can be largely ascribed to the introduction of Von Neumann and Morgenstern's (1947) set of axioms of individual rational decision-making that lead to the development of EUT. This set of axioms has been refined by researchers and four axioms were identified that capture the essential ideas of Von Neumann and Morgenstern (1947) (Jensen, 1967; Fishburn, 1970). The four axioms that define a rational decision-maker are continuity, completeness, transitivity and independence (Bell & Farquhar, 1986; Muhammad, 2009).

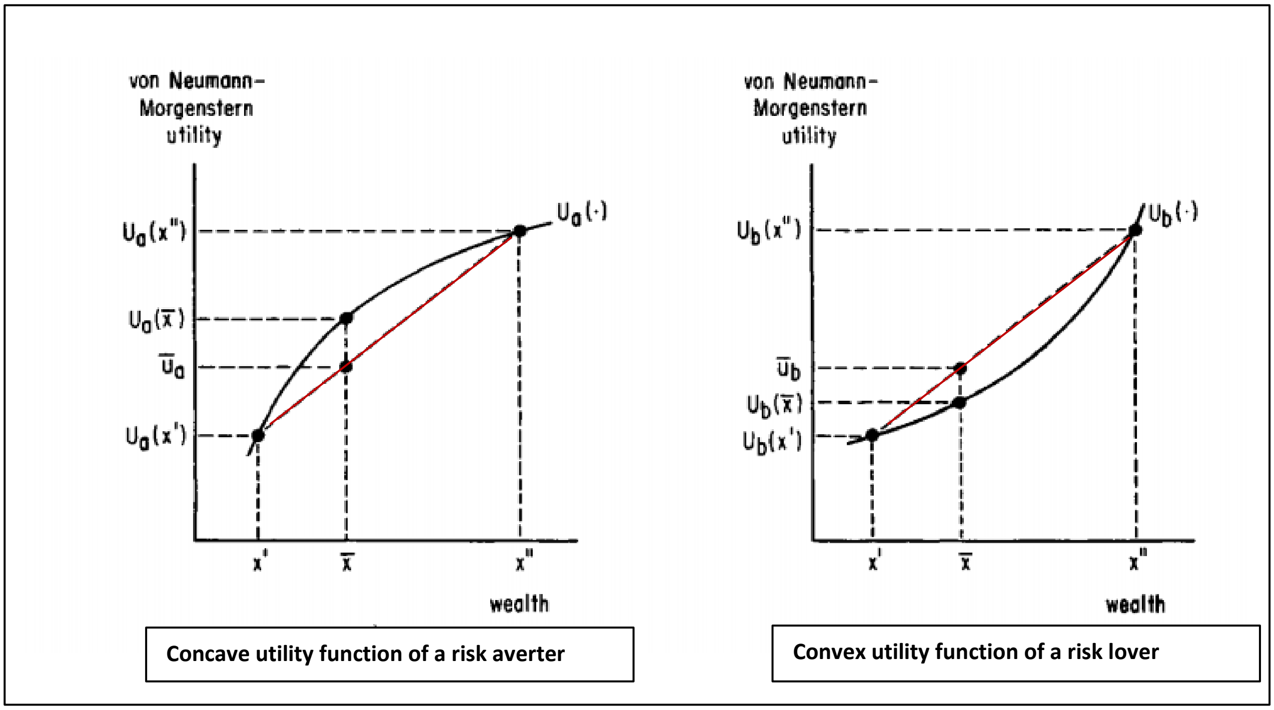
The first axiom, namely continuity, states that investors' rankings of alternative investment options are continuous (Plous, 1993). Two investment options labelled A and B will be used to explain this axiom. Continuity entails that for any two alternative investment options, an individual could prefer investment option A or investment option B but could, alternatively, prefer both (Von Neumann & Morgenstern, 1947). If an individual prefers both options A and B, he/she is indifferent between the two investment options. This axiom, hence, also entails that any one of the possible outcomes from the investor's decision can be expressed as a linear combination of the 'best' and 'worse' investment options (Von Neumann & Morgenstern, 1947).

For the completeness axiom it is assumed that for investment options A and B, option A is either larger than or equal to option B, smaller than or equal to option B, or option A is equal to option B. Under the completeness axiom, an individual investor would then either prefer option A to option B, be indifferent between option A and option B, or prefer option B to option A (Von Neumann & Morgenstern, 1947).

To explain transitivity, a third investment option, labelled C, needs to be added. The transitivity axiom implies that if investment option A is preferred to investment option B, and investment option B is preferred to investment option C, then investment option A is by implication preferred to investment option C (Von Neumann & Morgenstern, 1947). The independence axiom states that when an investor prefers investment option A to investment option B, he/she would still prefer option A to B when he/she is presented with a combination of the two investment options and a third irrelevant investment option. The order of preference of the two investment options (A and B) hence does not change (Von Neumann & Morgenstern, 1947).

If an investor's behaviour always conforms to these axioms, in other words he/she acts rationally, then utility will be expressed as a linear combination of the weighted sums of utility values multiplied by their respective probabilities (Von Neumann & Morgenstern, 1947). The EUT aims to explain the behaviour and decision-making of individuals based on their risk preference (Forbes, 2009). The EUT classifies individuals according to three levels of risk-taking behaviour, namely risk-averse, risk-neutral and risk-loving (Machina, 1987). Depending on this classification, investors would exhibit different utility functions. In Figure 2.1, the utility functions for a risk-averse, risk-neutral and risk-loving individual are provided.

Figure 2.1: Utility function of a risk-averse, risk-neutral and risk-loving individual



Source: Machina (1987)

As shown in Figure 2.1, the utility function of a risk-averter (an investor who dislikes risk) is concave. A risk-averse investor will exhibit diminishing marginal utility of wealth. This implies that an increase in expected wealth results in an increase at a decreasing rate for expected utility (Machina, 1987). A risk-neutral investor will exhibit constant marginal utility of wealth. In this case the increase in wealth results in the same increase in marginal utility (as represented by the straight red lines in Figure 2.1). In contrast, the utility function for a risk-lover is convex which exhibit an increasing marginal utility of wealth. Risk-loving investors experience an increase in utility as their wealth increase (Machina, 1987).

Alongside the EUT many other theories developed to form the basis for standard finance theories. The development of portfolio theory and the CAPM play a prominent role in traditional finance literature (Markowitz, 1999).

2.2.2 Portfolio theory

The relative beliefs about future performances play a considerable role during the process of selecting a portfolio (Markowitz, 1952). Markowitz (1952) believed that theory regarding investment portfolio selection was insufficient since there was no adequate theory that covered the effects of diversification when risks are correlated. He also believed that a theory that could distinguish between efficient and inefficient portfolios did not exist (Markowitz, 1999). The EUT is based on the assumption that investors maximise returns and that they consider expected returns as 'desirable' and variance of return as 'undesirable' (Von Neumann & Morgenstern, 1947). In contrast to the EUT, Markowitz (1952) proposed that the expected value and variance of a portfolio's return should be the criteria for portfolio selection. This assumption lead to the development of portfolio theory.

Portfolio theory assumes that beliefs about securities follow the same probability rules as random variables (Markowitz, 1952). There are several probability rules, but Markowitz (1952) focused on the expected value and variance rules. The rule of expected value states that the expected value of a random variable is the probability-weighted average of all possible values (Wackerly, Mendenhall & Scheaffer, 2008). This rule can be applied by multiplying each possible value that the random variable can assume with its probability of occurring (ibid). The variance of a random variable is a weighted average of the squared distance of outcomes from the expected value (Milton & Arnold, 1994). From these rules, it follows that the expected return on a portfolio is a weighted average of the expected return of each individual security included in the portfolio. It is also assumed that the variance of the portfolio is a function of the variance of each security, the covariance between the securities, and the weight of each security in the portfolio (Markowitz, 1952).

Markowitz (1952) distinguished between efficient and inefficient portfolios. He suggests that for every possible target portfolio return there is a unique portfolio of assets that will offer the required return at a minimum variance (Du Plessis & Ward, 2009). Markowitz (1952) proposed that means, variances and covariance of securities can be estimated by a combination of statistical analyses. Some of the statistical risk measures suggested by Markowitz (1952) are alpha, beta, standard deviation, *R*-squared and the Sharpe ratio. Efficient mean-variance combinations can be derived from these measures. This process is referred to as the "efficient frontier" (Markowitz, 1999). An "efficient frontier" of portfolios would offer the maximum possible expected return for a given preference of risk taking (Markowitz, 1999). Markowitz (1952) suggested that investors should invest in more than one security to make use of the benefits of diversification. The main advantage of diversification is that it reduces the risk related to a portfolio. In 1990, Markowitz was acknowledged for his development of portfolio theory and was jointly awarded the Nobel Prize with Miller and Sharpe (Du Plessis & Ward, 2009).

However, Markowitz's portfolio theory only accounted for the choice of risky assets. Tobin (1958) extended the model by including a riskless asset. Tobin (1958) showed that the set of efficient risk-return combinations is a straight line consisting of a portfolio of risky assets and riskless assets. He simplified portfolio selection by showing that the same portfolio that contains risky assets and riskless assets is appropriate for everyone (Varian, 1993). However, the amount of money in each asset class will differ according to the investor's risk averseness (Tobin, 1958).

Markowitz (1952) and Tobin (1958) showed that investment is not just about selecting securities, but choosing the right combination of securities to create an optimal portfolio. An optimal investment portfolio maximises an investor's preferences with respect to risk and return. Sharpe (1964) introduced a simplified way to determine which securities and which proportions of these securities should be included in a portfolio. He assumed that the optimal portfolio was in fact the market itself. His assumption led to the development of the CAPM that became an important criterion for creating a balanced portfolio (Varian, 1993).

2.2.3 Capital asset pricing model

The CAPM is considered as the most dominant asset pricing model in finance, primarily because of its simplicity (Varian, 1993). The model's development in the 1960s by Sharpe (1964), Lintner (1965), Treynor (1965) and Mossin (1966) were deemed a revolutionary discovery for financial economics (Varian, 1993). This model could be used to value securities by evaluating their expected risk and return (Lintner, 1965). Perold (2004) described the CAPM as the first model to answer the question on how the risk of an investment should affect its expected return. The CAPM states that investors expect a return equal to the risk-free rate plus a risk premium. If the rate of return offered by a security is not higher than its expected rate according to the CAPM, an investor should not invest (Sharpe, 1964).

The CAPM in its basic form relies on a number of simplified assumptions (Sharpe, 1964). Returns are supposedly jointly normally distributed. Investors presumably have homogenous expectations, because they analyse securities in the same manner. Markets are assumed to be efficient, and the analysis of a security only covers a single period (Sharpe, 1964). Furthermore, no transaction costs are considered, and it is assumed that investors do not pay any taxes on returns. The model also assumes that investors have open access to information. In addition, all investors are able to borrow or lend money on equal terms at a riskless interest rate. All investors are deemed rational and risk-averse (Sharpe, 1964). These assumptions are not always valid and, therefore, the CAPM produces anomalies that are inconsistent with market efficiency (Statman, 1999). These anomalies contributed to the development of other asset pricing models.

2.2.4 Multi-factor asset pricing models

Research have shown that the average returns on shares are not only a function of risk but are also related to firm characteristics such as size, price-to-earnings ratio, book-to-market equity, cash flow-to-price ratio, and past sales growth (Fama & French, 1996). These factors are not accounted for by the CAPM and produces anomalies that are inconsistent with market efficiency (Statman, 1999). These anomalies resulted in some traditional theorists replacing the CAPM with a more sophisticated asset pricing model, namely the Fama-French three-factor model (Fama & French, 1993; Titman & Grinblatt, 1998).

Fama and French (1993) accounted for size and value in addition to the market risk factor incorporated in the CAPM. They, hence, attempted to capture the relation between average return and the size of a portfolio (market price times shares outstanding) as well as the relation between average return and price ratios, such as book-to-market value. They found that these factors explain the common variation in bond and share returns and the cross-section of average returns (Fama & French, 1996). However, this model does not explain expected returns on all securities and portfolios (Fama & French, 1996; Carhart, 1997; Titman, Wei & Xie, 2004). Fama and French (1996) found that the model cannot explain the continuation of short-term returns. In response, Carhart (1997) added a momentum factor to explain portfolio returns. Momentum refers to the tendency of individual share prices to continue following an upward or downward trend. Fama and French (2015) recently extended the multi-factor asset pricing model by adding two factors, namely profitability and investment patterns in average share returns. Some researchers have found that this extended model explains more asset pricing anomalies than the three-factor model (Fama & French, 2015; Chiah, Chai, Zhong & Li, 2016; Foye, 2018).

Fama (1970) developed the EMH based on similar assumptions than those associated with the CAPM. This hypothesis is considered the most influential traditional finance theory model (Jensen, 1978).

2.2.5 Efficient market hypothesis

The EMH is based on three main assumptions that are similar to the CAPM assumptions (see Section 2.2.3). Firstly, the EMH assumes that investors value securities in a rational manner by incorporating all the available information. Secondly, investors make investment decisions after they have carefully accounted for all the available information. Thirdly, it is assumed that an investor always pursue self-interest (Fama, 1970).

Rational investors value each security for its fundamental value. The EMH assumes that when investors receive new information regarding the fundamental value of a security, they will quickly respond by either increasing or decreasing the price that they are willing to pay for the security, depending on whether it is good or bad news (Shleifer, 2000). Fama (1991), therefore, simplified the EMH by stating that security prices fully reflect available information.

The EMH argues that if investors are not rational, they will trade randomly and will cancel each other’s trading actions without affecting the pricing of shares (Shleifer, 2000). Friedman (1953) and Fama (1965) argued that this cancellation is explained by arbitrage. Sharpe, Alexander and Bailey (1990) defined arbitrage as the simultaneous purchase and sale of the same security in two different markets to take advantage of differing prices. In effect, arbitrageurs can earn a profit by purchasing undervalued securities and selling similar securities to hedge their risk (Shleifer, 2000). Therefore, the process of arbitrage aligns security prices with their fundamental value even when some investors are not fully rational (ibid).

Fama (1970) divided the EMH into three forms, namely weak, semi-strong and strong. The weak form of market efficiency focuses on the question of how well past returns predict future returns. Under this form of market efficiency, investors cannot generate superior abnormal returns based on historical price data that are widely available. According to the semi-strong form of market efficiency, current market prices are assumed to reflect all publicly available information (Fama, 1970). However, public information is considered as historic information and technical analysis will thus fail to provide investors with superior returns. Brigham, Ehrhardt and Fox (2016) emphasised that under semi-strong form market efficiency, investors should expect to earn returns corresponding with risk, but that they should not expect to do any better or worse than other investors do by pure chance. The strong form of efficient markets claims that investors with inside information that is not yet made known to the public, can earn abnormal returns (Fama, 1970). However, this form of market efficiency also explains that insider information quickly enters the market and that, even with this information, investors cannot continue to earn abnormal returns (Ibid).

The EMH has been challenged based on empirical evidence revealing that investors with unique information and insight exploit gaps between prices and intrinsic values and are able to beat the market (Statman, 2014). Shleifer and Vishny (1997b) furthermore showed that there are limitations to arbitrage. Arbitrage is conducted by a small number of investors since it requires capital and is risky. Arbitrageurs require long horizons to bet successfully on slow market mispricing and can become ineffective in extreme circumstances when prices diverge far from fundamental values. Shleifer and Vishny (1997b) also remarked that arbitrage fail to eliminate anomalies in financial markets. Although this evidence shows that markets are thus not always rational (Thaler, 2005), there is not sufficient evidence that ordinary investors can beat the market consistently. Therefore, the semi-strong and weak forms of the efficient market hypothesis are supported (Fama, 1970).

The traditional finance theories discussed in this section are based on seemingly over-simplified assumptions. The foundations of these theories are built on how market participants should behave to maximise their wealth, rather than on how they actually behave (Simon, 1957; Kahneman & Tversky, 1979; Nofsinger, 2011). Investors have varying risk attitudes, market experience and levels of financial sophistication. Psychologists suggested that individuals may exhibit biases and make cognitive errors that differ from the behaviour associated with rational investors that traditional financial theories assume (Kahneman & Tversky, 1979; Arthur, 1994; Koppel, 2011). These suggestions contributed to the emergence of several behavioural finance theories.

2.3 BEHAVIOURAL FINANCE THEORY

Statman (2014) described behavioural finance as an expansion of finance beyond "portfolios, asset pricing, and market efficiency." He explained that behavioural finance explores financial behaviour that is affected by culture, fairness, social responsibility, cognitive errors and emotional biases. In this section, the development of several behavioural finance theories is discussed, followed by an overview of the factors that influence investor behaviour.

2.3.1 Definition of behavioural finance theory

Behavioural finance theory has been defined by several authors. In the late 1990s, Fama (1998) defined behavioural finance as a field of finance that proposes an explanation of stock market anomalies using identified psychological biases, rather than dismissing them as "chance results consistent with the market efficiency hypothesis." Weber (1999) stated that behavioural finance theory "closely combines individual behaviour and market phenomena and uses knowledge taken from both the psychological field and financial theory."

Guzavicius *et al*. (2014) defined behavioural finance theory as the study of the effects that social and cognitive psychological behaviour, and emotional factors have on the decisions made by investors. Ricciardi and Simon (2000) agreed by stating that behavioural finance theory attempts to explain and improve awareness regarding the psychological processes that influence investment decisions. Shefrin (2005) offered a more condensed definition by stating that behavioural finance theory is "the study of how psychological phenomena impact financial behaviour."

Based on these definitions, it is evident that behavioural finance integrates several sciences (Weber, 1999; Ricciardi & Simon, 2000), including psychology, sociology and finance (Suryawanshi & Jumle, 2016). Psychology is defined as a science that investigates how the thoughts, feelings and behaviour of individuals are influenced by the actual, imagined or implied presence of others (Allport, 1954). Sociology is a systematic science concerned with social relations (Persell, 1984). Sociology emphasises that many financial decisions are made by social interaction, rather than in isolation without any external influences. Finance focuses on the formation, distribution and use of resources (Ricciardi & Simon, 2000). The history and development of behavioural finance theory is linked to these three sciences.

2.3.2 History and development of behavioural finance theory

During the late 18th century and early 19th century, economics and psychology were closely linked. Adam Smith, who is widely considered as the 'father' of economics, published "The theory of moral sentiments" in 1759. He described the psychological factors that underlie human decision-making which have strong implications for consumption, saving and market exchange decisions. Bentham (1843) later recognised the failures of rationality assumptions and extensively researched the psychological principles of utility. He also anticipated several behavioural biases. However, during the development of neo-classical economics in the 1900s, economists started to reshape the discipline as a natural science that assumes that human beings are rational. Still, Selden's (1912) book entitled "Psychology of the stock market" was based on the belief that share price movements are dependent on the mental attitude of investors. Festinger (1957) introduced the related theory of cognitive dissonance stating that people have an inner need to ensure that their beliefs and behaviour are consistent. Inconsistent attitudes or behaviours cause tension, and this leads to dissonance. The resulting tension could motivate an individual to alter his/her beliefs to eliminate the dissonance.

In the 1970s, Kahneman and Tversky formed the basis for behavioural finance theory (Sewell, 2007). They are considered the 'founding fathers' of behavioural finance by several authors (ibid). Heukelom (2007) commented that Tversky's mathematical work on the normative theory to apply mathematics to human behaviour, and Kahneman's "psychophysical emphasis on the difference between objective stimulus and subjective sensation" were 'perfectly combined' to form the basis for behavioural finance theory. Tversky and Kahneman (1971) observed that people regarded a sample that was randomly drawn from a population as 'highly representative'. In a subsequent paper, they focused on representativeness (discussed in Section 2.3.4.1) and explained that representativeness plays a key role in intuitive predictions made by individuals (Kahneman & Tversky, 1972). Two years later, they introduced heuristics and biases that are employed when making judgements under uncertain conditions (Tversky & Kahneman, 1974).

In 1979, Kahneman and Tversky criticised the EUT and developed an alternative model for decision-making under risk, namely the prospect theory. This theory is regarded as a breakthrough theory in behavioural finance and recognition was given to the subject field when Kahneman shared the Nobel Prize for Economics with Vernon Smith, an experimental economist in 2002 (Stanyer, 2014). Prospect theory is discussed in more detail in Section 2.3.3.

Based on the findings of the pioneering behavioural finance researchers discussed in this section, it could be argued that the investment decisions of investors are not necessarily made in a rational manner and that some of the simplified assumptions of traditional finance theory should be relaxed (Tversky & Kahneman, 1974). Table 2.1 contains a summary of the differences between the assumptions of traditional finance theory and behavioural finance theory.

Table 2.1: Comparison of the assumptions of traditional finance theory and behavioural finance theory

Traditional finance theory	Behavioural finance theory
Investors are rational	Investors do not behave rationally
Markets are efficient	Markets are not efficient
Investors should design their portfolios according to the rules of mean-variance portfolio theory	Investors design portfolios according to the rules of behavioural portfolio theory
Expected returns is a function of risk alone	Expected returns follow behavioural asset pricing theory and expected returns are a function of more than just risk

Source: Statman (2014)

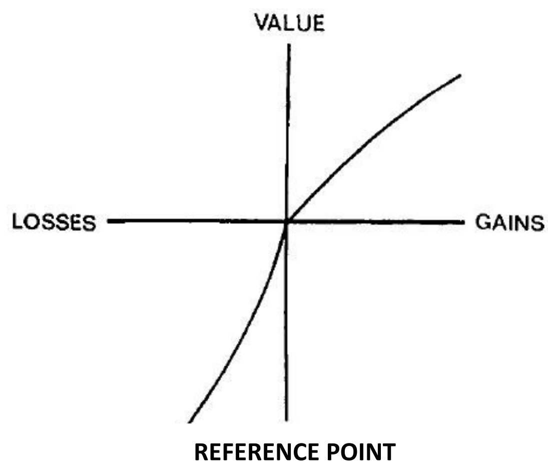
According to behavioural finance theory, some key factors that influence investor decisions are situational, while others are related to investors' personalities (Holden, 2010). The weather or sport events could arguably also influence investor decisions (Nofsinger, 2011). To explain the irrational behaviour of investors, behavioural economists employ the human behavioural theories developed in the fields of psychology and sociology, in conjunction with prospect theory.

2.3.3 Prospect theory

Although the EUT as discussed in Section 2.2.1 is an applicable normative theory of expected utility maximisation, Kahneman and Tversky (1979) argued that it is not an accurate description of actual observed human behaviour, because investors do not always conform to the axioms of the EUT. Normative theory refers to a decision-making theory that prescribe how people should make decisions, whereas a descriptive theory models how individuals actually make decisions in the face of certain and uncertain events (Hickson & Khemka, 2014). Kahneman and Tversky (1979) suggested that investors evaluate investment options in two consecutive steps. An individual initially evaluates an investment option in an 'editing-framing' manner. Subsequently, the individual will evaluate the investment option in a more detailed, evaluative manner. The editing-framing process entails that a decision is structured within an individual's mental framework that can be manipulated to change an investor's decision (Tversky & Kahneman, 1981). More details will be provided on mental frameworks in Section 2.3.5.

Kahneman and Tversky (1979) proposed an alternative model to account for this evaluation process and choice under risk that closely resembled the EUT (Heukelom, 2015). Their prospect theory attempts to model the way in which individuals actually make decisions when the probabilities of outcomes are unknown (Suryawanshi & Jumle, 2016). Kahneman and Tversky's (1979) prospect theory suggests that individuals make investment decisions based on a potential loss or gain relative to a reference point. Koppel (2011) emphasised that, instead of focusing on the final outcome, investors base their decisions on the potential value of gains and losses. Decision probabilities are hence replaced by decision weights (Sewell, 2007). Figure 2.2 reflects the value function of the prospect theory.

Figure 2.2: The value function of the prospect theory



Source: Kahneman and Tversky (1979)

As shown in Figure 2.2, investors value gains and losses according to an s-shaped function if the prospect theory is applied. Kahneman and Tversky (1979) remarked that, since investors are risk averse, they are more sensitive to a loss than an equal-sized gain. Consequently, the value function suggests that the impact of a decrease in value is larger than the impact of a comparable increase. The convex graph for losses is thus steeper than the concave graph for gains (see Figure 2.2).

The following numerical example can be used to explain the application of the prospect theory's s-shaped curve. An investor is expected to 'feel good' when he/she realises a monetary gain of 500 and he/she would 'feel even better' when he/she gains double that amount. However, he/she would not feel 'twice as good' when he/she gains double the amount (1 000) in comparison to the monetary gain of 500 (Nofsinger, 2011). The same argument applies to loss making.

The value function of the prospect theory hence has three properties (Kahneman & Tversky, 1979):

- It is defined on deviations from the reference point.
- It is concave for gains and convex for losses.
- It is steeper for losses than for gains.

The prospect theory describes different states of mind regarding gains and losses that can influence an individual's decision-making process (Subash, 2012). Specific investor behaviour and biases could thus be ascribed to the prospect theory (Nofsinger, 2011). Therefore, this theory forms the basis for the field of behavioural finance. Behavioural economists tend to ascribe irrational investor behaviour to heuristics (Tversky & Kahneman, 1974; Shiller, 2000).

2.3.4 Heuristics and cognitive biases

Heuristics are "simple efficient rules of thumb which have been proposed to explain how people make decisions, come to judgements and solve problems, typically when facing complex problems or incomplete information" (Tversky & Kahneman, 1974). Heuristics enable selective and rapid interpretation of information which mainly relies on intuition (Fromlet, 2001). Constraints on cognitive resources, such as memory, force the brain to take shortcuts to analyse complex situations (Nofsinger, 2011). The resultant rules of thumb are easily learned and work well under most circumstances, therefore helping investors to make investment decisions.

Research has shown that when investors are confronted with limited, contradictory or ambiguous information and they experience time constraints or social pressure, they are more prone to use heuristics (Kahneman & Tversky, 1979; Koppel, 2011; Nofsinger, 2011). Heuristics are especially employed in modern trading, because more information spread faster and the number and complexity of employed instruments increased (Fromlet, 2001; Subash, 2012). Some modern investors aim to 'speed up' their decision-making by using heuristics (instead of processing information rationally) to simplify the decision-making process. However, mental shortcuts could result in systematic cognitive biases (Koppel, 2011). Behavioural biases could result in cognitive errors when making investment decisions (Kahneman & Tversky, 1979; Arthur, 1994).

A bias is described as the tendency or inclination to draw incorrect conclusions from psychological factors, such as heuristics, or reaching unreasoned judgement rather than focusing on concrete evidence (Ricciardi & Simon, 2000; Koppel, 2011). Heuristic-driven biases relate to investors using rules of thumb to make decisions, including representativeness bias, availability bias, familiarity bias and home bias (Tversky & Kahneman, 1974).

2.3.4.1 Representativeness bias

Representative bias refers to investors assuming that investments that share similar qualities are more related than what they actually are (Nofsinger, 2011). This bias is linked to individuals who place too much emphasis on information gathered from small samples to make decisions, resulting in overreliance on stereotypes (Shefrin, 2000; Kaestner, 2006).

For example, investors might confuse a perceivably 'good company' with a 'good investment'. Investors often believe that the past operating performance of a firm is representative of its future performance, and they consequently forecast high future earnings based on short-term historical earnings growth (Nofsinger, 2011). However, although a 'good company' does not necessarily always perform well, investors ignore information that contradicts their positive beliefs of the company. Therefore, investors could overweigh salient news of a company when estimating the future share performance of that company (Kaestner, 2006).

Research has shown that the stock market reacts unfavourably towards criticism of a company's environmental impact and acts favourably when good environmental performance is recognised (Dasgupta, Laplante & Mamingi, 2007). Shefrin (2001) also found that investors tend to hold the shares of companies that have a good reputation for a longer period and tend to sell stock prematurely if a company have a negative reputation. Some investors, hence, assume that companies with 'bad' reputations represent 'bad' investments. Based on this bias, investors might prefer companies with good reputations that exemplify positive CSR behaviour.

2.3.4.2 Availability bias

Availability bias states that individuals value events that are more easily brought to mind as being more likely to occur than events that are more difficult to recall (Tversky & Kahneman, 1974; Koppel, 2011). Investors evaluate the probability of an outcome based on how familiar they are with that certain outcome as opposed to processing all the relevant information

(Kliger & Kudryavtsev, 2010). For instance, investors that exhibit availability bias are more likely to invest in a company if information regarding its profitability, corporate image, CSR involvement etc. is readily available or easy to recall, rather than in companies whose information is difficult to remember or access. It is easier to recall recent information and, therefore, investors might decide to invest in a company based on information that was recently in the news (Tversky & Kahneman, 1974). Availability bias is hence closely linked to familiarity bias (Nofsinger, 2011).

2.3.4.3 Familiarity bias

Familiarity bias refers to an investor's preference to invest in 'familiar' companies (Huberman, 2001; Speidell, 2009). Some researchers found that individual investors prefer to invest in the shares of companies with high brand recognition (deemed familiar companies), hence supporting the familiarity bias (Huberman, 2001; Subrahmanyam, 2008; De Vries, Erasmus & Gerber, 2017). Coval and Moskowitz (1999) furthermore found that investors prefer to invest in companies that are located in their own country, indicating that investors demonstrate a home bias. Speidell (2009) and Foad (2010) also remarked that investing in companies close to home might be a response to better knowledge about familiar companies than foreign companies. Investors that exhibit home bias tend to believe that investments in familiar companies will offer higher returns and have lower risk than unfamiliar companies (Huberman, 2001). This bias can result in an undiversified portfolio (Foad, 2010).

Aspara and Tikkanen (2008) suggested that individuals' attitudes towards a company, their tendency to invest in a company's shares, and their tendency to buy the products of a company are likely to be interrelated. Individuals tend to invest in the shares of companies based on their product knowledge as well as positive prior consumption experiences (Aspara & Tikkanen 2008; Lim *et al*., 2013) This tendency reflects brand familiarity bias. David *et al*. (2005) furthermore reported that consumers prefer to buy products from companies if they are familiar with their CSR programs. The question could be asked whether consumers' preference to purchase items from companies with perceived favourable CSR performance might have an impact on their investment preferences.

2.3.5 Frame dependent biases

The decisions that investors make are influenced by their mental frameworks (Shefrin & Statman, 2000). Shefrin and Statman (2000) explained that an individual's mental frame is formed when he/she develops beliefs, likes, dislikes, prejudices and feelings. Frame-dependent biases refer to the human tendency to view a scenario differently depending on how it is described (Shefrin & Statman, 2000). Framing could result from external manipulation of decision-making (Koppel, 2011). Tversky and Kahneman (1981) showed that changes in the formulation of choice problems caused significant shifts of preference. They concluded that the psychological principles that direct the perception of decision problems (of selecting one of at least two alternatives) produce shifts of preference when the same problem is framed differently (Tversky & Kahneman, 1981).

Investors' choices are influenced by the way that information is framed or presented to them. In a study conducted by Frederick (2005), financial planners were asked if they would rather choose an investment option where they would definitely receive $100 or an investment option where there is a 50 per cent chance to receive $300 and a 50 per cent chance of receiving nothing. Most individuals chose to receive $100. However, when Frederick (2005) framed the question differently by asking them whether they would rather choose an investment option where they could lose $100 or have a 50 per cent chance to lose $300 and a 50 per cent change to lose nothing (gamble option), they chose the gamble option. Investors, hence, tend to make different decisions when the same problem is framed in terms of losses rather than in terms of gains (Shefrin, 2002; Frederick, 2005).

Framing can also result from how individuals receive and process information subjectively by means of their frame of reference. A frame of reference is formed based on investors' perceptions, beliefs, attitudes and their state of mind (Shefrin, 2002; Koppel, 2011). An individual's frame of reference causes him/her to associate with objects differently. For instance, mentioning a familiar company might retrieve personal traits that the individual associates with that specific company (Fiske, 1998). Framing is considered as a factor that could strongly influence opinions and decisions (Nofsinger, 2011). Muhammad, Isa and Ismail (2008) have shown that individual investors' frame of reference tend to impact their investor decision-making behaviour.

2.4 INVESTOR DECISION-MAKING AND BEHAVIOUR

The human brain forms the basis of all decision-making, as it is used to process information (Kalra Sahi, 2012). According to neuroscientists, the brain is divided into three parts, namely the forebrain, midbrain and hindbrain (Morse, 2006). The forebrain is the largest part of the brain and includes the cortex and limbic system. The cortex is considered the rational part of the brain which performs functions such as thought and action (Morse, 2006). In contrast, the limbic system refers to the 'emotional part' of the brain and is involved in the processing of emotions and memory storage. The mid part of the brain is concerned with functions such as vision, hearing and body movement. The hind part of the brain is responsible for vital bodily processes, which refer to those functions or actions of the body on which life is directly dependent, such as the circulation of blood and digestion (Kalra Sahi, 2012).

During the decision-making process, activity is predominantly located within the forebrain. The brain employs reasoning or logic as inputs when an individual has to make decisions that include risk and/or uncertainty (Nofsinger, 2011). These inputs can include facts about a situation or probability estimates to attempt to quantify uncertainties. The brain also uses emotional inputs, such as an individual's current mood or anticipated feelings, to evaluate a decision. The 'emotional part' of the brain (the limbic system) could yield biased decisions and cognitive errors (Nofsinger, 2011).

Investment decision-making is deemed one of the most crucial challenges that an individual investor experience (Antonides & Van Der Sar, 1990). Investors are confronted with several questions, including whether or not to invest, how much money they want to invest, and whether they should then invest over the short-term or long-term. Investors must also decide in which type of securities they want to invest. Consequently, individual investment decision-making can be seen as the outcome of the 'confrontation' between expectations, preferences, budget limits and market restrictions (Antonides & Van Der Sar, 1990). According to Engelberg and Sjöberg (2006) these financial decisions are rooted in emotional and motivational processes. Lucey and Dowling (2005) agreed that investors can be very emotional when it comes to financial decision-making under risk and/or uncertainty.

The investment process is influenced by a number of interdependent variables. The process is driven by dual mental systems which contributes to the fact that decision makers are bounded rational and use various heuristics to make investment decisions. Bounded rationality describes real human behaviour by stating that there are limitations regarding access to information, anticipating the consequences of future actions and scarce knowledge of all possible human behaviours (Simon, 1957). An individual who is rationally bounded has limited cognition and lives in a social environment that affects his/her decisions. Simon (1957) concluded that individuals make decisions that meet their needs rather than maximising their utility. Moreover, investors also use various heuristics and may exhibit several behavioural biases to make an investment decision (Simon, 1959; Lovric, Kayman & Spronk, 2008). Investment decisions, hence, follow a similar process as the decision process which is related to the behavioural theories, discussed in Section 2.3 (Nofsinger, 2011; Pillai & Achuthan, 2015).

Individuals are exposed to several internal and external factors that could furthermore influence their investment decisions (Pillai & Achuthan, 2015). Investors' decisions depend on internal factors such as their needs, desires, beliefs, demographic factors, financial knowledge, perception, and attitude. External factors that could influence an investor's decisions include culture, family, information availability, financial advisors, firm image, and technology (Antonides & Van Der Sar, 1990; Subash, 2012; Parumasur & Roberts-Lombard, 2014).

Psychology theory states that researchers focusing on decision-making should specifically consider the attitudes of individual market participants (Oberlechner & Hocking, 2004). Attitude and its perceptual component have been identified as a main construct that explains investor behaviour and decision-making, since the decision-making process involves attitudinal components such as emotions, cognition and actual behaviour (Fishbein & Ajzen, 1975; Davidson & Jaccard, 1979; Cohen, 2005; Parumasur & Roberts-Lombard, 2014).

2.5 ATTITUDE AND PERCEPTION

Since attitude and perception are deemed psychological aspects that could considerably influence investor behaviour and decision-making (Williams, 2007; De Bondt, Mayoral &

Vallelado, 2013; Erasmus, 2017), more detail regarding these aspects are required. The definitions and components of attitude are therefore discussed next, whereafter the definitions, nature and process of perception are explained. The relationship between perception and behaviour is also explored.

2.5.1 Definitions and components of attitude

There are various definitions for the term attitude. During the first part of the previous century a social psychologist, Allport (1935), explained that an "attitude is a mental and neural state of readiness, organised through experience, exerting a directive or dynamic influence upon the individual's response to all objects and situations with which it is related." Himmelfarb and Eagly (1974) defined attitude as a "relatively enduring organisation of beliefs, feelings and behavioural tendencies towards socially significant objects, groups, events or symbols." Zikmund *et al*. (2013) agreed with this latter definition by describing attitude as an enduring disposition to consistently respond in a given manner to various aspects of an object. They indicated that attitude is composed of affective, cognitive and behavioural components.

Attitude can also be defined as a "psychological tendency that is expressed by evaluating a particular entity with some degree of favour or disfavour" (Eagly & Chaiken, 1993). In marketing and finance literature, attitude is likewise defined as an individual's "enduring favourable or unfavourable evaluations, emotional feelings, and action tendencies towards some object or idea" (Hogg & Vaughan, 2008; Shrimp & Andrews, 2013). Based on these definitions, it can be derived that forming an attitude entails that a decision is made involving thoughts, feelings, likes and dislikes, past experiences, behavioural intentions and beliefs (Hogg & Vaughan, 2008; Maio & Haddock, 2015). Maio and Haddock (2015) aptly noted that an attitude summarises different types of information about an issue, object or an individual.

The comparable definitions of attitude provided by Himmelfarb and Eagly (1974) and Zikmund *et al*. (2013) highlight that there are three distinct components of attitude. The so-called ABC-model of attitude includes affective, behavioural and cognitive components (Jain, 2014). This model was developed with the aim to predict behaviour states related to an individual's attitude (ibid). The affective component refers to an individual's general emotions or feelings and recognition of specific attributes of an object (Zikmund *et al*., 2013; Jain, 2014; Parumasur & Roberts-Lombard, 2014). In contrast, the behavioural component relates to the behavioural inclinations, actions or responses that reflect an individual's intentions and commitment regarding the attitude object (Ajzen, 1989; Zikmund *et al*., 2013). The cognitive component focuses on the individual's beliefs or knowledge about the attitude object (Jain, 2014). The last component also consists of responses that reflect perceptions of the attitude object (Ajzen, 1989). This tri-component framework has formed the basis for attitudinal research for several decades (Howard & Sheth, 1969). Consequently, this explanation of the term attitude is considered the most appropriate for the purpose of the current study.

As the cognitive component involves the beliefs of individuals as well as the acquisition, storage, transformation and use of information which influence decision-making, this component plays a particularly important role in attitude-behaviour relations (Hogg & Vaughan, 2008). Maio and Haddock (2015) expressed the view that beliefs are the most important factor when predicting attitude. The cognitive component of attitude is strongly influenced by perception (Ajzen, 1989).

2.5.2 Understanding perception

According to Reitz (1977), perception includes those processes by which an individual receives information about his/her environment, including seeing, hearing, feeling, tasting and smelling. Individuals can, inter alia, use information from newspapers, television and the internet to create an image of their environment (De Bondt *et al*., 2013). Pride, Ferrell, Lukas, Schembri and Niininen (2012) added that perception is the process by which individuals select, organise and interpret stimuli through their senses. In marketing terms, perception relates to the manner in which consumers interpret and give meaning to the world around them (Parumasur & Roberts-Lombard, 2014).

2.5.2.1 Nature of perception

As individuals only tend to observe a small portion of the stimuli that surround them, perception is selective (Parumasur & Roberts-Lombard, 2014). Individuals pay attention to an even smaller percentage of these stimuli and therefore decide which stimuli they will process for interpretation. An individual's perception is, furthermore, subjective as he/she interprets stimuli according to his/her personality, beliefs, values, biases and needs (Van der

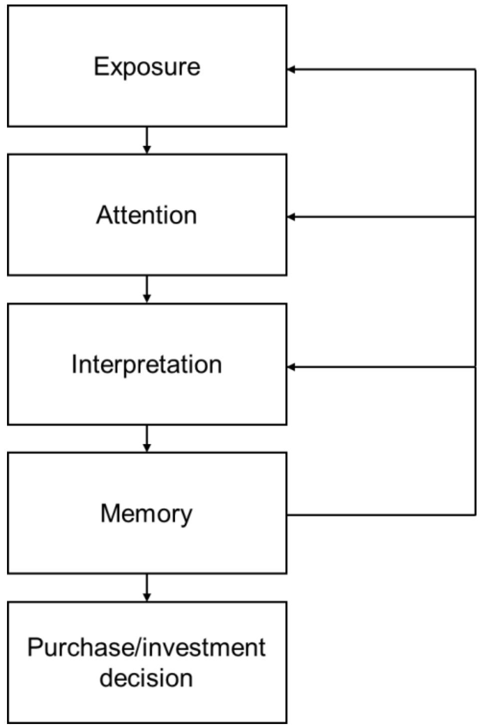
Walt, 1991; Boshoff & Du Plessis, 2009). Schiffman and Kanuk (2010) agreed that individuals will interpret and organise stimuli so that it is congruent with their beliefs.

Perception is also based on an individual's frame of reference, since individuals' personal experiences form part of their perception of stimuli (Schiffman & Kanuk, 2010). Previous personal experiences construct a cognitive organisation in the individual which determines the meaning of a particular perception. These meanings can change as an individual experience stimulus more often and give different meanings to them. The subjective nature of perception and an individual's frame of reference are connected, since an individual's personality, biases, needs and personal experiences define him/her (Parumasur & Roberts-Lombard, 2014). Therefore, an individual will largely determine the information that he/she is exposed to as well as the meaning that is assigned to this information when he/she makes a decision (Hawkins & Mothersbaugh, 2010).

2.5.2.2 The perceptual process

The perceptual process consists of four stages, namely exposure, attention, interpretation and memory. Thereafter, a decision will be made, which includes purchase or investment decisions. Both the consumer purchase decisions and investor investment decisions focus on purchasing (Mackey *et al*., 2007; Lim *et al*., 2013). However, the nature of the product differs, since consumer products are ready for consumption and satisfaction of human needs, while purchasing shares in a company is usually a long-term investment and does not generally provide individuals with instant satisfaction. The perceptual process follows the same procedure for both purchase and investment decisions, as illustrated by Figure 2.3.

Figure 2.3: The consumer/investor perceptual process



Source: Adapted from Hawkins, Best and Coney (1992)

As can be seen in Figure 2.3, exposure is the first stage in the perceptual process. Exposure refers to the situation where an individual becomes aware of a stimulus that is placed within his/her environment through his/her senses (Hawkins & Mothersbaugh, 2010; Parumasur & Roberts-Lombard, 2014). The stimuli that individuals are exposed to are mostly self-selected, as they decide which stimuli they will ignore or consider.

Some researchers suggest that individuals actively seek out stimuli that they think will help them to achieve their goals (Hawkins & Mothersbaugh, 2010). For example, investors might have the goal to invest in environmentally friendly companies to ultimately contribute to a more sustainable future. These investors will expose themselves to information about different companies by examining their websites or sustainability reports. The exposure stage of perception, hence, gives investors the opportunity to pay attention to the available information to determine their investment options (Hawkins & Mothersbaugh, 2010).

During the second stage, processing is devoted to a particular stimulus resulting from the functioning of individuals' sensory systems (Foley & Matlin, 2010). James (1890) remarked that attention entails "taking possession by the mind in clear and vivid form." In marketing and finance terms, Assael (1992) defined the attention process as the momentary focusing of a consumer's or investor's cognitive capacity on stimuli. An individual's interest/need is the primary characteristic that influences his/her attention. However, the stimulus as well as the situation in which the individual finds himself/herself also plays a role (Mole, 2012).

An individual assign meaning to a particular stimulus during the interpretation stage (Mowen, 1993). The way in which an individual interprets information largely relies on personal characteristics, the stimulus and the situation (Van der Walt, 1991). Interpretation of information is, hence, selective and subjective. Psychological biases typically play a role during the interpretation process, since individuals rely on previous experiences and their frames of reference to process information more easily (Walters, Bergiel & Seth, 1989). These subjective experiences influence purchase behaviour (Hawkins *et al*., 1992), as shown in Figure 2.3.

The interpretation of the stimulus initiates the recalling of relevant knowledge from memory (Albarracin, 2002). The memory stage (also called recall stage) of perception plays a critical role in guiding the perceptual process (Hawkins *et al*., 1992). Memory refers to the mental process of retrieval of information, or recognition of previously observed items, which is used for decision-making (Gulick, 2012). The perceptual process is interactive (as indicated by the arrows in Figure 2.3) as an individual's memory could influence the information that he/she is exposed to, attends to and interprets. By using their memory, individuals identify, select and use information. This information forms the basis of an individual's perception, which forms part of his/her attitude and which can impact their behaviour (Albarracin, 2002; Maio & Haddock, 2015). Schiffman and Kanuk (2010) remarked that individuals act based on their perceptions and not based on objective reality. Following this reasoning, it can be argued that perception impacts behaviour. The relationship between attitude, perception and investment behaviour is explored next.

2.5.3 The relationships between attitude, perception and investment behaviour

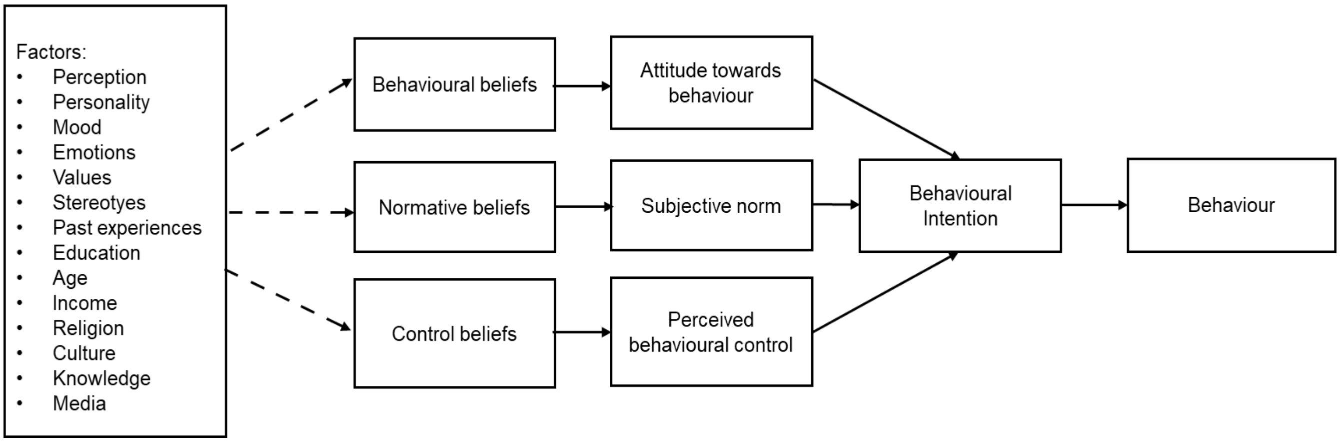
In the 1930s, authors started to report on the inconsistency between attitude and behaviour (Liska, 1984). Wicker (1969) reviewed 46 research studies on attitude and behaviour and found a low or insignificant relationship between attitudinal predictors and behaviour. During the 1960s, researchers reported that the attitude-behaviour relationship also depends on other variables such as attitudinal characteristics, psychological conditions and social pressure (Zanna, Higgins & Herman, 1982; Liska, 1984). The development of behavioural models that incorporated these variables subsequently commenced (Brock, 1967; Greenwald, 1968).

2.5.3.1 The theory of reasoned action and planned behaviour

Fishbein and Ajzen (1975) developed the theory of reasoned action (TRA) to understand and predict human behaviour based on attitude and intention. The TRA asserts that an individual’s behaviour is determined by his/her behavioural intention. An individual’s intention is in turn determined by his/her attitude and subjective norms. Ajzen (1989) added another factor to TRA that influences intention, namely perceived control. As a result, the theory of planned behaviour (TPB), which is an expanded version of the TRA, was developed (Ajzen, 1991).

The TRA and TPB are deemed the most influential behavioural models (Liska, 1984). The TRA and TPB models apply to situations where choices are freely made and where reasons can be provided for the taken action (East, 1993). The TPB model was hence employed by several authors to study planned behaviour in different fields where choices are not involuntary, required by social convention or compelled by prior commitments (Sheppard, Hartwick & Warshaw, 1988). Figure 2.4 offers a graphical representation of the TPB.

Figure 2.4: Components of the theory of planned behaviour



Source: Adapted from Fishbein and Ajzen (1975)

As shown in Figure 2.4, there are three factors that determine an individual's behavioural intention, consisting of attitude, subjective norm and perceived control. The attitude factor consists of favourable or unfavourable attitudes about the planned behaviour. The TPB model conceptually distinguishes between the components of attitude, discussed in Section 2.5.1, i.e. cognitive, affective and behavioural, and specifies a recursive-chain causal structure that underlies them (Ajzen & Fishbein, 1977). The TPB model assumes that behaviour follows intention and intention follows attitude (Fishbein & Ajzen, 1975).

The TPB model furthermore states that intention is determined by subjective norms which refer to an individual's perception of social pressure to approve or disapprove behaviour (Ajzen, 1991). These subjective norms include individuals' normative beliefs as to whether a certain behaviour is acceptable (Fishbein & Ajzen, 1975). These beliefs shape an individual's perception of the behaviour and, in turn, influence his/her intention to perform the planned behaviour.

The TPB model also asserts that perceived control influences intention. The perceived behavioural control factor refers to the perceived difficulty level of performing the planned behaviour (Ajzen, 1991). This factor includes past experiences as anticipated barriers to perform the planned behaviour. The TPB model argues that the more favourable an individual's attitude towards performing the behaviour, the greater the perceived social approval and the easier the execution of the behaviour is perceived to be (Fishbein & Ajzen, 1975).

Other factors listed in Figure 2.4 such as perception, personality, mood and past experiences are assumed to affect behaviour through their effects on the beliefs that underlie attitude and subjective norms (Ajzen, 1989). As mentioned in Section 2.5.1, perception is one of the factors that influence attitude. Perception hence arguably influences behaviour through its effect on attitude.

2.5.3.2 Previous studies on attitude, intention and investment decision-making

Previous researchers linked attitude to financial decision-making (Lo & Repin, 2002) and, more specifically, investment decisions (Williams, 2007). In addition, Nouri, Motamedi and Soltani (2017) found that an individual's attitude towards a brand has a positive effect on their investment intention. In a study conducted among young investors, Erasmus (2017) investigated the impact of attitude on investment decision-making and provided evidence that the affective and cognitive components of attitude appear to influence the intent to invest. De Bondt *et al*. (2013) also remarked that the affective component of attitude influences economic behaviour. Previous researchers linked attitude to investment decision-making. Investment decision-making involves buying shares and, therefore, qualifies as a choice that is freely made (as described in Section 2.5.2.1). Therefore, the TPB theory could be applied to the investment context (East, 1993).

In an exploratory study, East (1993) applied the TPB to investment intention. The decision to buy shares were accurately predicted by intention in the considered private British companies. East (1993) furthermore reported that intention was, in turn, explained by attitude, subjective norm, perceived control and past behaviour. The results thus provide support for planned behaviour research as a way of identifying the main beliefs that are relevant to investment behaviour. Alleyne and Broome (2011) determined individual factors that are likely to influence investment intention and reported similar findings to East (1993). Adam and Shauki (2014) examined the role of intention, attitude, subjective norms and perceived behavioural control in explaining socially responsible investment (SRI) behaviour by investors in Malaysia. They used the Fishbein-Ajzen TPB model, but modified the inputs to incorporate moral norms. Their results showed that attitude, subjective norms and moral norms have a positive effect on intention which, in turn, positively affected behaviour towards SRI (Adam & Shauki, 2014).

There are several factors that impact individual investors' perceptions of a company which, in turn, influence their investment behaviour. Researchers have shown that perceptions of a corporation's identity play an important role in consumers' purchase intentions (Miller & Sturdivant, 1977; Winters, 1988). Melewar and Karaosmanoglu (2006) remarked that organisations have realised that a strong corporate identity can help them to attract investments. Some authors suggested that more research should be conducted to understand the value of corporate image and being seen as a corporate 'good guy' (Brown & Dacin, 1997; Maignan & Ferrell, 2001). Corporate identity is an important consideration for a company and investors, as explained in the following section.

2.6 CORPORATE IDENTITY

The perceptions of different stakeholders pertaining to an organisation's corporate identity play an important role in their decision-making (Brown & Dacin, 1997). Corporate identity is defined as an organisation's central, distinctive and enduring character, that is revealed through behaviour and internal and external communication (Schmidt, 1995; Balmer, 1998). Melewar and Wooldridge (2001) added that a company's vision, mission and strategies form part of its corporate identity. Ind (1992) further remarked that emphasis should also be placed on the ethical and cultural values of a company. Corporate identity is regarded as the explicit management of all the areas which stakeholders can observe such as products, services, the environment, communication and corporate behaviour (Olins, 1995; Markwick & Fill, 1997; Otubanjo & Amujo, 2012). An organisation's corporate identity is, therefore, a result of the interactions between the different stakeholders of the organisation (Hax & Majluf, 1996; Balmer, 2008). Brown and Dacin (1997) added that corporate identity is the 'umbrella' of information that an individual hold about a company, including cognition, judgment and association.

Worcester (2009) explained that corporate identity is the "visible manifestation of corporate image, where it is the net result of the interaction of all experiences, impressions, beliefs, feelings and knowledge that people have about a company." The corporate identity a company conveys is perceived by stakeholders as the company's corporate image which is "a reflection of the organisation's identity" (Argenti & Druckenmiller, 2004). Watson and Kitchen (2008) explained that the image or set of images that stakeholders form of a company contributes to the reputation of the organisation. Therefore, corporate identity can be described as the way in which a company presents itself, while corporate image refers to how stakeholders perceive the company. The integration of identity and image over time establishes corporate reputation (Nelson & Kanso, 2008). Consequently, knowledge, attitudes, beliefs, behaviour and feelings influence the formation of a company's corporate image which in turn influence stakeholders' perceptions of a company (Williams & Moffit, 1997; Stuart & Kerr, 1999; Tran, Nguyen, Melewar & Bodoh, 2015). Practitioners focus on managing corporate identity as stakeholders' perception of a company's corporate identity can influence purchase intention or the willingness to invest (Balmer, 1998).

A 'good' corporate identity is, inter alia, linked to a reputation for offering high quality goods or services, positive financial performance, a harmonious workplace environment, sound leadership, high ethical values and being socially and environmentally responsible (Einwiller & Will, 2002; Porter & Kramer, 2006). Corporations use marketing and internal operations to create and communicate a desired corporate image to stakeholders (Dowling, 1993). The 'created identity' then comes to mind when a stakeholder hears, sees or even thinks about the company (Gray & Balmer, 1998). Corporate identity can be formed by a 'network of meanings' that are stored in stakeholders' memory that range from general impressions or perceptions of the company to tangible features of corporate identity (Cornelissen, 2000). The image of a company, hence, consists of cognitive interpretations that individuals hold of the company. The perceptions, attitudes and feelings towards the company's corporate identity are often not unanimously shared among different stakeholders such as customers and shareholders (Hax & Majluf, 1996; Nguyen & LeBlanc, 1998). Brooks, Highhouse and Gregarus (2009) agreed that corporate identity is perceived differently by individuals and is, therefore, considered a subjective evaluative construct. However, Grönroos (1984) found that consumers' perceptions of a company's reputation can play a role in the development of other stakeholders' perceptions of the company.

Effective management of corporate identity creates a platform for building a favourable corporate image which translate into a favourable reputation. In turn, a favourable reputation leads to stakeholders having a favourable attitude towards the organisation and being more likely to commit their resources to the company (Vella & Melewar, 2008). Consequently, the importance of corporate identity is acknowledged in several study fields (David *et al*., 2005). The construct has been divided into different dimensions to capture the essence of corporate identity within various fields of study. In financial management and marketing, financial outcomes such as premium pricing and competitive brand advantage are emphasised. Van Riel and Fombrun (2007) also remarked that corporate identity is constructed through behavioural communication. Pertaining to public relations, less tangible factors such as the “soul”, corporate philosophy and core values of the company as well as the strength of the relationships between a company and its stakeholders are considered (Brown & Dacin, 1997; Otubanjo & Melewar, 2007; Powell, Elving, Dodd & Sloan, 2009). It is important to consider both the tangible and intangible factors of corporate identity when academic research involves customers, employees and investors.

The corporate identity construct is a broad concept that consists of several dimensions and elements, including communication, corporate culture, attitude and behaviour, mission and philosophy, skill, structure, strategy, personality and social values (Melewar & Jenkins, 2002; He & Balmer, 2007; Iyamabo, Owolawi, Otubanjo & Balogun, 2013). Effective corporate identity management considers all these dimensions when forming corporate strategies. However, different study fields and stakeholders value or prioritise different dimensions of corporate identity. To evaluate corporate identity from a financial and marketing perspective, the concept of corporate identity must include at least two dimensions, namely expertise and social values (David *et al*., 2005). Given that financial and marketing researchers tend to focus on the impact of corporate image on financial outcomes, corporate expertise is highly regarded. However, consumers, employees and investors have also become concerned with purchasing products from, seeking employment with and investing in companies that demonstrate a socially and environmentally responsible image (Alniacik *et al*., 2011).

For the purpose of this study, focus was placed on the corporate expertise and corporate values dimensions of corporate identity, as these were included in David *et al*.’s (2005) model. More details on these dimensions will now be provided.

2.6.1 Corporate expertise dimension

Expertise is defined as the possession of knowledge, experience or skills relevant to a certain topic (Lagace, Dahlstrom & Gassenheimer, 1991). Corporate expertise is likewise defined as the ability of an organisation to detect, assess, and satisfy consumers' needs, wants and desires by being the leader in a product or service category (David *et al*., 2005). Corporate expertise is considered an 'exchange dimension' based on utility. The exchange dimension is driven by willing transactions between the organisation and its consumers (David *et al*., 2005).

According to Lagace *et al*. (1991), relevant expertise regarding a company's operations demonstrate a competent company that stakeholders can trust. Hovland, Janis and Kelley (1953) argued that the corporate expertise dimension is the most applicable to corporate perceptions. Corporate expertise includes tangible and intuitive factors such as the experience and skills of employees, the CEO and board of directors, superiority of internal research and development and the resulting technological innovation, manufacturing or service expertise, and customer orientation (Brown & Dacin, 1997; David *et al*., 2005). Corporate leadership plays an important role since successful businesses are typically run by experts (Bersin, 2012).

Fombrun (1996) remarked that consumer perceptions of the expertise of a company are part of the information that they use to decide whether they will buy the products of the company. Likewise, investors want to invest in companies that exhibit corporate expertise and healthy financial performance and returns. Potential individual investors typically consider accounting factors as well as corporate image factors when they make investment decisions (Al-Tamini, 2006; Subash, 2012; Ponnamperuma, 2013). Therefore, it is important to include the corporate expertise dimension when research involves customers, employees and investors.

Consumers and investors might become familiar with a company's expertise based on prior experiences, word-of-mouth communication and/or media reports (Brown & Dacin, 1997). Although the perception of a company's expertise in delivering its products and/or services affects its reputation, the character and value system of a company are also considered as important factors of corporate identity (Sen & Bhattacharya, 2001; Sinclair & Irani, 2005).

2.6.2 Corporate values dimension

Corporate values are considered as one of the most frequently discussed aspects of corporate identity (Melewar & Karaosmanoglu, 2006). Balmer and Powell (2006) comment that companies have acknowledged the importance of communicating corporate identity particularly in relation to ethical values. The corporate values dimension focuses on social values with the goal to improve the well-being of society and the environment. The corporate values dimension is represented by the organisation’s commitment to its moral, ethical, social and environmental obligations as well as behaviours and communication on ethical commitments which may improve corporate performance (David *et al*., 2005; Berrone, Surroca & Tribó, 2007). The factors that are included in this dimension are traits such as compassion, activism, sincerity and trustworthiness (David *et al*., 2005).

Compassion entails the intent to contribute to the well-being of others (Valdellon, 2018), while activism involves taking a public stance to positively impact social change (Disparte & Gentry, 2015). Sincerity refers to genuinely caring for stakeholders (Oswald, 2010). Trustworthiness involves being able to rely on or have confident expectations of honesty of someone (for example the CEO) or something (for example the company) (Wittmer & O’Brien, 2014). As these traits are applicable to both individuals and organisations, they could be used to describe an individual’s character as well as the values of the potential investee company (Sen & Bhattacharya, 2001). Corporate values are crucial for developing a positive image and for the success of a company (Melewar & Karaosmanoglu, 2006).

Researchers suggested that CSR information provides stakeholders with insight into a company’s value system and character (Chappell, 1993; Brown & Dacin, 1997; Turban & Greening, 1997; Chandler & Werther, 2013). Therefore, CSR activities are included in a firm’s corporate values (David *et al*., 2005; Siltaoja, 2006). Previous researchers confirmed that CSR has a positive impact on corporate image and corporate reputation (Meehan *et al*., 2006; Siltaoja, 2006; Maruf, 2013; Otubanjo, 2013). When assessing corporate values, it is therefore important to obtain a clear understanding of CSR, and to critically evaluate a firm’s

CSR activities. Chapter 3 will focus on the impact of CSR practices on mainstream and responsible investment decision-making.

2.7 SUMMARY

This chapter revealed that traditional finance theory is based on over-simplified assumptions and that its foundations are built on how market participants should behave, rather than how they actually behave. Psychologists propose that individuals may exhibit biases and make cognitive errors that differ from the rational investors that traditional finance theories assume. These suggestions lead to the emergence of behavioural finance, which entails the study of how psychological phenomena impact financial behaviour.

Attention was given to several human behavioural theories, including prospect theory, heuristics and behavioural biases that could have an impact on investment decisions and behaviour. Attitude and perception have been identified as main constructs that explain human behaviour. The TPB model shows that attitude comprises of perception which influence intention. Intention in turn influences behaviour and, therefore, the decision-making process.

Research have shown that the perception of a corporation's identity plays an important role in stakeholders' intentions to consume its products and services and to invest in its shares. Corporate expertise and corporate values are critical to a company's image and organisations have realised that a strong corporate identity can attract investors. It was noted that CSR has a positive impact on both corporate image and corporate reputation. Hence, CSR will be explored in more detail in the following chapter.

CHAPTER 3

THE ROLE OF CORPORATE SOCIAL RESPONSIBILITY IN INVESTMENT DECISION-MAKING

3.1 INTRODUCTION

William Clay Ford Junior, the Executive Charmain of Ford Motor Company (in Palmer & Flanagan, 2016) stated that “creating a strong business and building a better world are not conflicting goals – they are both essential ingredients for long-term success.” This quote emphasises that strategies regarding sustainability are crucial for firms to survive in the long-term.

As discussed in Chapter 2, corporate expertise and corporate values are critical to a company’s image. Organisations have realised that a strong corporate identity can attract investors. Implementing a CSR strategy can enhance a company’s corporate image and corporate reputation, as well as build a better world. Hence, more details on CSR are provided in this chapter to understand how CSR could affect investor intention.

The chapter commences with an overview of the history and development of CSR concepts in Section 3.2. Thereafter, the impact of CSR practices on different stakeholders (consumers, shareholders and employees) are analysed (Section 3.3). In Section 3.4, the business case for CSR is discussed. Section 3.5 explores SRI considerations, investing strategies and the global and local markets for SRI. Lastly, the main constructs of the study are summarised in Section 3.6, followed by a summary of this chapter (Section 3.7).

3.2 OVERVIEW OF THE DEVELOPMENT OF CORPORATE SOCIAL RESPONSIBILITY CONCEPTS

Carroll (1999) remarked that the evolution of CSR concepts, definitions and models is quite impressive. Therefore, in this section, several social responsibility themes and CSR definitions are analysed, followed by a discussion of Carroll’s (1991) CSR pyramid. Attention is also given to different CSP models developed by Carroll (1979) and Wood (1991). Prominent organisations that played a role in formulating CSR company guidelines are also mentioned.

3.2.1 Social responsibility themes

Several social responsibility themes were developed during the 1800s, since corporate entities were concerned about the well-being and productiveness of their employees (Carroll, 2008). Companies aimed to improve their employees' performance by creating schemes involving lunchrooms, profit-sharing initiatives and the provision of health care (Wren, 2005). During that era, religious institutions believed that investing should resonate with values and, hence, shunned 'sinful' companies that engaged in activities involving alcohol, tobacco, gambling and weaponry (Kurtz, 2008). In the late 1800s, several corporate entities engaged in philanthropy by building churches, engaging with educational institutions and providing money for community projects (Wren, 2005).

Bowen (1953), who is considered as the 'father of CSR', defined social responsibility as "the obligation of businessmen to pursue those policies to make those decisions or to follow those lines of action which are desirable in terms of the objectives and values of our society." Drucker (1954) agreed with Bowen (1953) by stating that businesses must consider whether their actions will promote the public good or advance the basic beliefs of society. In the 1950s, companies were mainly concerned with philanthropy and donations to charities (Carroll, 2008).

A decade later, Davis (1960) argued that companies have power and, by implication, responsibility beyond economic and legal aspects. Davis (1960) argued that social responsibility is "businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest." In this era, companies became more aware of their responsibility towards communities and began focusing on specific environmental and social issues, such as pollution and discrimination (Murphy, 1978).

In 1970 it was argued that businesses existed to serve society (Committee for Economic Development (CED), 1971). A ground-breaking CSR contribution was made in the 1970s when the CED noted that the social contract between a company and society is changing

(CED, 1971). The committee developed three concentric circles of social responsibility for businesses. The inner circle focusses on the economic function of a business and includes products, jobs and economic growth. The intermediate circle attends to the sensitive awareness of social values such as respect for the environment and fair treatment of employees. The outer circle outlines emerging responsibilities, including the alleviation of poverty (CED, 1971).

In the 1970s, reference to CSP started to emerge. Sethi (1975) argued that CSP consists of social obligations as a response to legal and market constraints. Responsibility towards society is congruent with societal norms and social responsiveness that refers to the adaption of corporate behaviour to social needs (ibid). In response, some companies altered the composition of their boards, gave more attention to ethical considerations and started to disclose their social performance (Carroll, 1977).

3.2.2 Defining corporate social responsibility

Several definitions of CSR that focused on the obligation of companies to make decisions that would benefit society have been formulated. Davis (1960) extended Bowen's (1953) definition of social responsibility (see Section 3.2.1) by stating that social responsibility entails "decisions and actions implemented for reasons that are at least partially beyond the company's economic and technical interests." Frederick (1960) contributed to the definition of CSR by stating that "social responsibility implies a public posture towards society's economic and human resources and willingness to see that resources are utilised for broad social ends and not simply for the narrowly circumscribed interests of private firms." In the 1970s, Johnson (1971) remarked that a socially responsible firm is "one whose managerial staff balances a multiplicity of interests."

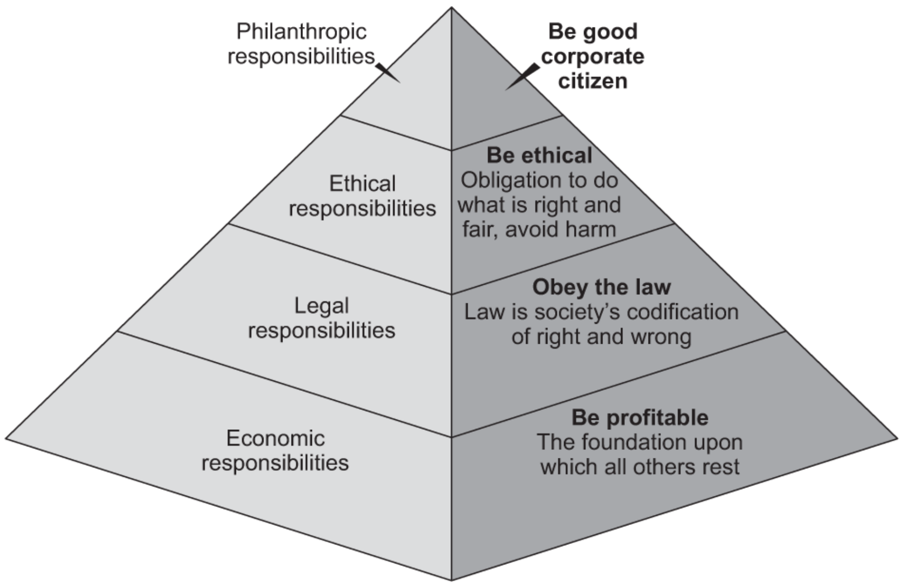
In the late 1970s, the first unified definition for CSR came to light when Carroll (1979) contributed a four-part definition of CSR. This definition was used to formulate the CSR pyramid and to develop a model for CSP that will be discussed in Sections 3.2.3 and 3.2.4. Carroll (1979) acknowledged the range of social responsibility definitions and argued that the social responsibility of a company encompassed society's economic, legal, ethical and discretionary expectations. The economic responsibility was included based on the argument that businesses make an economical contribution to society. The separation of legal, ethical and philanthropic categories of responsibility/performance provides for a detailed examination of different corporate actions (Carroll & Shabana, 2010).

The definitions of CSR were considerably expanded in the 1990s to include topics such as stakeholder management, business ethics, community investment, environment, governance, accountability and human rights (Hopkins, 1998). Sound CSR practices enhanced the reputations of corporate entities (Carroll, 2008). Dahlsrud (2008) employed frequency analysis to investigate the similarities and differences between 37 CSR definitions. In line with Carroll's (1979) definition (mentioned in the previous paragraph), Dahlsrud (2008) concluded that the considered definitions of social responsibility and CSR were to a large extent congruent pertaining to voluntariness, environmental, social, economic and stakeholder considerations. Carroll's (1979) four-part definition of CSR is therefore applicable to the context of this study, because it separates the legal, ethical and philanthropic categories of responsibility/performance that allows a detailed examination of different corporate actions (Carroll & Shabana, 2010).

3.2.3 Carroll's corporate social responsibility pyramid

The economic, legal, ethical and discretionary responsibilities identified by Carroll (1979) create a foundation to frame business' responsibilities towards society. Carroll (1991) graphically depicted the definition in the form of a pyramid that became one of the most widely cited sources in the field of business (Lee, 2008; Carroll, 2016). Carroll's (1991) CSR pyramid is illustrated in Figure 3.1.

Figure 3.1: Carroll's corporate social responsibility pyramid



Source: Carroll (1991)

The economic responsibilities of an organisation include generating revenue, limiting costs and strategic decision-making. Economic responsibilities represent the basic building block of CSR, since a profit-making organisation is economically sustainable. Carroll (1991) argued that the first step of being a good corporate citizen is to produce goods and services that society requires at a reasonable price. Organisations should also obey the law. Legal responsibilities encompass society's view of 'codified ethics' of what is acceptable and unacceptable practices (Carroll & Buchholtz, 2015). Ethical responsibilities cover standards and practices that are also deemed unacceptable by society but are not per se legally prohibited (ibid).

Ethical responsibilities involve norms, values and expectations that stakeholders regard as fair, just and consistent with moral rights (Carroll, 1991). As shown in Figure 3.1, philanthropic responsibilities form the top of the pyramid. Organisations are expected to contribute some of their resources to the community, for example donating to and engaging in community projects (Carroll & Buchholtz, 2015). Carroll and Buchholtz (2015) noted that the pyramid should be seen as a 'unified whole' in order to engage with all stakeholders. Companies can arguably 'do well by doing good' by making decisions and linking their practices to all four components simultaneously (Carroll & Shabana, 2010).

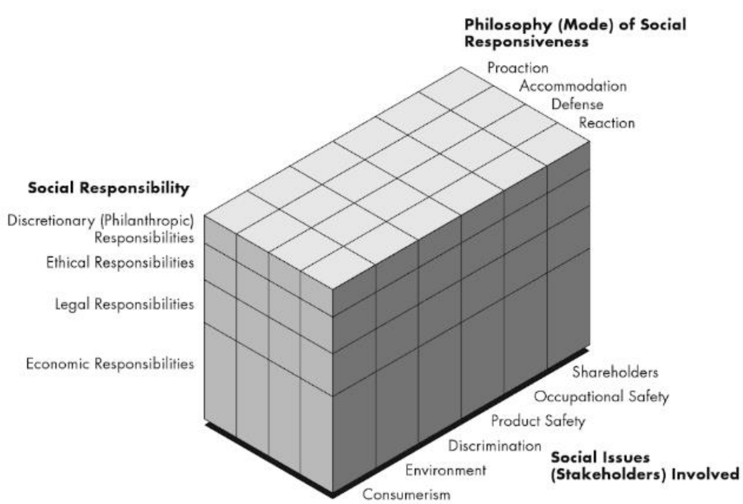
3.2.4 Corporate social performance models

CSP is defined as "the configuration in the business organisation of principles of social responsibility, processes of response to social requirements, and policies, programmes and tangible results that reflect the company's relations with society" (Wood, 1991). CSP is measured by the social responsibilities of businesses beyond their economical and legal responsibilities and includes ethical, discretionary and philanthropic actions (ibid).

Carroll's (1979) CSP model captures the major dimensions of CSR. This model consists of the CSR responsibilities that are also included in Carroll's (1991) CSR pyramid, namely economic, legal, ethical and discretionary responsibilities, as discussed in Section 3.2.3. It should be noted that economic responsibilities are also included in this model, since Carroll (1979) argued that social responsibility is not separate from economic performance. The model was developed with the goal to integrate economic concerns into a social performance framework (Carroll, 1979).

Wood (2010) commented that the model is appropriate, since it reflects how managers actually perceive their companies' social responsibilities and performance. The model is performance-driven and focuses on the outcomes of a company's social responsibility (Carroll & Buchholtz, 2015). Figure 3.2 is a graphical representation of Carroll's (1979) CSP model.

Figure 3.2: Carroll's corporate social performance model



Source: Carroll and Buchholtz (2015)

As seen in Figure 3.2, the three major dimensions of CSR captured in Carroll's (1979) CSP model are social responsibilities, philosophy of social responsiveness and social issues related to the stakeholders involved. These three dimensions provide a distinctive overall analysis of business and society (Wartick & Cochran, 1985). The social responsibilities are subdivided into discretionary, ethical, legal and economic responsibilities. The social issues relate to societal change in values and attitude which can include consumerism, discrimination and product safety. The stakeholders involved include individuals and groups that have a stake in social issues such as shareholders or the environment (Wartick & Cochran, 1985; Carroll & Buchholtz, 2015).

The CSR activities of a company that address stakeholders' needs and the social issues shown in the model could be captured by moral/ethical practices, discretionary practices and relational practices (Carroll & Buchholtz, 2015). Moral/ethical practices involve norms, standards, values and expectations that reflect what stakeholders regard as fair, just and consistent with moral rights (ibid). Discretionary practices refer to voluntary/philanthropic responsibilities, while relational practices refer to the relationship between a company and its stakeholders regarding social issues (Carroll & Buchholtz, 2015). These practices are considered the essence of CSR (David *et al*., 2005).

The social responsibilities and social issues dimensions are particularly important since it captures the CSR values of a company. These values provide insight pertaining to the company's value system and character (Chappell, 1993; Brown & Dacin, 1997; Turban & Greening, 1997). Carroll's (1979) CSP model is effective in placing ethical and discretionary expectations into a rational economic and legal framework.

Strand (1983) remarked that the CSP model depicted in Figure 3.2 does not address the question pertaining to 'how far a company should go to address the social issues'. To address this limitation, Wartick and Cochran (1985) changed the social issues dimension of Carroll's (1979) CSP model to the management of social issues. They commented that corporate social involvement is built on the principals of CSR and social responsiveness, but also on issues management (Wartick & Cochran, 1985). 'Issues management' could be used to minimise any problems that result from the turbulent business environment. 'Issues management' can also assist companies to form interactive responses to environmental change (Brown, 1979). Social issues management consists of issues identification, analysis and response by implementing the CSR policies of a company that reflects the orientation of the company (Wartick & Cochran, 1985).

Wood (1991) developed a new version of Carroll’s (1979) CSP model by accounting for the principles of CSR on three levels, namely institutional, organisational and individual. The institutional level encompasses the principle of legitimacy. The value of this principle is that it defines the institutional relationship between business and society. It also specifies what is expected of a business (Wood, 1991). On an organisational level, the principle of public responsibility is applied. This principle confines a business’s responsibilities to the issues that relate to the firm’s activities and interests (Wood, 1991). The individual level focuses on the principle of management direction. The value of this principle is that it defines managers’ responsibility to be moral actors and to perceive and exercise choices in the service of CSR (Wood, 1991). Wood’s (1991) CSP model also includes the processes of corporate social responsiveness and the outcomes of corporate behaviour. Melé (2008) stated that Wood’s CSP model is the most complete approach to CSP considering social expectations.

Corporate social responsiveness includes environmental and stakeholder assessments and issue management. An organisation should adapt to its environment to survive. Stakeholder relationships and processes should be analysed to manage interdependences and relations (Freeman, 1984; Wood, 1991). Issues management involves managing external issues such as public-private partnership, community involvement, and social strategies as well as internal issues such as corporate ethical programmes and corporate codes.

The outcomes of corporate behaviour in Wood’s (1991) CSP model include social impacts, social programmes and social policies. Wood (1991) stated that companies that adopt social programmes seek to meet stakeholders needs. CSR programmes can include fundraisers, volunteering in the community, developing education programmes, creating jobs and skills development (Skinner & Mersham, 2008). CSR policies emerge in companies to address the decision-making process of these social programmes. Table 3.1 indicates how policy and responsibility can be linked to the three principles of social responsibility (namely institutional, organisational and individual).

Table 3.1: Linking social responsibility principles to outcomes within social responsibility categories

CSR category	**CSR principles**		
	Social Legitimacy (Institutional)	*Public Responsibility (Organisational)*	*Managerial Discretion (Individual)*
Economic	• Produce goods and services • Provide jobs • Create wealth for shareholders	• Price goods and services to reflect true production costs by incorporating all externalities	• Produce products in an ecologically sound manner • Use low-polluting technologies • Cut costs by recycling
Legal	• Obey laws and regulations	• Work for public policies	• Take advantage of regulatory requirements to innovate in products or technologies
Ethical	• Follow fundamental ethical principles such as honesty in product labelling	• Provide full and accurate product use information to enhance user safety	• Target product use information to specific markets such as children or foreign speakers
Discretionary	• Act as a good citizen in all matters beyond law and ethical rules • Return a portion of revenues to the community	• Invest the firm's charitable resources in social problems related to the firm's primary and secondary involvements with society	• Choose charitable investments that actually pay off in social problem solving

Source: Adapted from Wood (1991)

Ideally the adoption of Wood's (1991) CSP model would result in a comprehensive corporate social policy that is fully institutionalised and operational. In turn, positive corporate behaviour that is motivated by principles of responsibility occurring through socially responsive processes, will be promoted (Wood, 1991).

3.2.5 Prominent organisations and guidelines

Since the 1970s, the CSP concept was addressed in Western Europe and the United States (US) by introducing reporting initiatives. For example, companies in France were legally required to disclose detailed quantitative information pertaining to social considerations such as the number of employees, education and training of employees as well as health and safety conditions (Delbard, 2008). In the US, the Fortune 500 companies (the 500 largest US companies ranked by total revenues for their respective fiscal years) voluntarily started to disclose social and environmental information, such as pollution control, energy conservation, and equal employment opportunities (Carroll, 2008). As these disclosures were largely voluntary, several companies tended to state the information in a way that would present them in a favourable light. In response, the Social Audit organisation in the United Kingdom (UK) conducted several audits of large companies to enhance transparency and accountability (Carroll, 2008).

During the 1990s, several large companies became increasingly concerned about social and ethical considerations and started to include CSR objectives in their annual reports (Carroll, 2008). During this period, KPMG (1999) conducted a survey of international corporate responsibility reporting practices. Approximately a third of the considered companies engaged in triple bottom line reporting (ibid). Such reporting entails that social, economic and environmental issues are incorporated in financial reports (Slaper & Hall, 2011).

Several codes, principals and guidelines were developed to address and enhance sustainability practices. The Global Reporting Initiative (GRI), founded in 1997, was the world’s first standardised approach to sustainability reporting (Carroll, 2008). The GRI is considered the most influential guideline for sustainability reporting (ibid). The GRI standards are continually updated. These standards include several indicators to measure sustainability performance in three categories, namely economic, environmental and societal impacts (GRI, 2019). Many of these social performance indicators are difficult to quantify. Therefore, the guidelines rely on social policies (Carroll, 2008). KPMG (2005) reported that the GRI guidelines had a significant impact on sustainable reporting.

In the 2000s, CSR became a global phenomenon used as a strategic tool to generate shared value while improving a competitive advantage, promoting business performance, enhancing workforce productivity and cultivating a favourable reputation (Porter & Kramer, 2006; Walton, 2010; Dowling & Moran, 2012; Chandler & Werther, 2013). The United Nations Global Compact (UNGC) CSR initiative was launched in 2000 to enhance stakeholders’ understanding of social responsibility (Rasche, Waddock & McIntosh, 2013). The UNGC aims to promote universal social and environmental principles by focusing on human rights, labour standards, environmental protection and anti-corruption strategies (Kell, Slaughter & Hale, 2007). In 2006, the United Nations furthermore launched the Principals for Responsible Investment (PRI, 2019). The aim was to encourage responsible investment and enhance risk management to create sustainable value over the long-term (PRI, 2019). Another international forum, namely the Organisation for Economic Co-operation and Development (OECD, 2019a) collaborates with the governments, policy makers and citizens of 30 countries, including South Africa, to establish international social, economic and environmental norms. This organisation offers several principals to promote effective regulatory initiatives (Malan, 2010).

From 1994 to 2016, four King Reports were developed by the Institute of Directors in South Africa (IoDSA) to offer corporate governance guidelines to listed companies. The first King Report focused on stakeholder accountability. The King II Report emphasised the importance of risk management and sustainability reporting. The King III Report highlighted corporate citizenship, ethical leadership and integrated reporting (IoDSA, 2009). Corporate citizenship refers to the rights, duties and responsibilities of a company towards society (McIntosh, 2010). In 2016, the King IV Report was published to address sustainable value creation. The King IV Report introduces an ‘apply and explain’ approach. This principle ensures that listed and private organisations are able to explain their application of corporate governance practices, while simultaneously applying the principles (IoDSA, 2016). Mervyn King explained that the main objective of King IV is to make corporate governance more accessible to all organisations (IoDSA, 2016). He also stated that King IV serves as a guide to help managers achieve value creation through implementing corporate governance practices (ibid). The King IV Report consists of 17 principles concerned with ethical culture, good performance, effective control and legitimacy. Emphasis is placed on inclusivity and flexibility, as the report is applicable to various types of organisations (Van Coppenhagen & Naidoo, 2017).

In 2017, 93 per cent of the 250 largest companies in the world produced CSR reports to inform shareholders and other stakeholders about their CSR activities (KPMG, 2017). In contrast, only 35 per cent of the world’s largest companies reported on their CSR practices in 1999 (ibid). Tim Mohin, CEO of GRI, states that the accessibility of sustainability reports enables a growing number of investors to use the information to make investment decisions and invest in a responsible manner (McPherson, 2019). McPherson (2019) argued that CSR is increasingly shifting toward the values of a company’s customers, employees and investors.

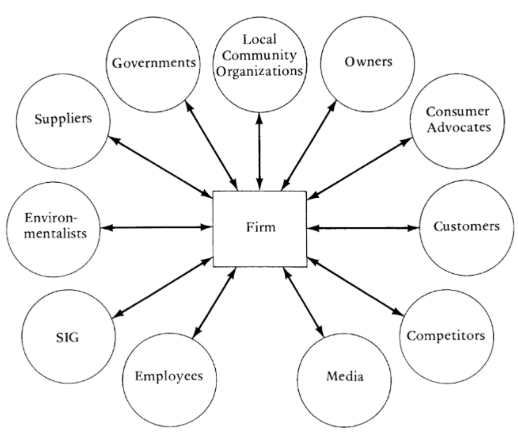
3.3 STAKEHOLDERS AND CORPORATE SOCIAL RESPONSIBILITY

Organisations have social responsibilities that impact different stakeholders (Alniacik *et al*., 2011). Diverse stakeholders' needs, expectations, claims and rights should be addressed in order for organisations to be successful over the long-term (Carroll & Buchholtz, 2015). Even though a growing number of organisations are introducing CSR initiatives, a limited number of researchers have examined the effects thereof on stakeholders (Alniacik *et al*., 2011; Lim *et al*., 2013). This section provides a discussion on the stakeholder model as well as the effect of CSR practices on different stakeholders, namely consumers, shareholders and employees. The discussion also includes methods in which CSR is communicated to stakeholders.

3.3.1 The stakeholder model

Given several ethical scandals, the main focus of CSR research in the 1980s was on stakeholder theory (Carroll, 2008). Freeman (1984) argued that companies have an obligation towards their stakeholders which include all the individuals or special interest groups (SIG) who benefit from or are harmed by the company. He claimed that the main goal of CSR is to create value for all stakeholders, including the local community (ibid). Therefore, Freeman (1984) developed the stakeholder model with the purpose to suggest that a stakeholder focus should be adopted when reflecting on corporate strategy. Freeman's (2010) stakeholder model is depicted in Figure 3.3.

Figure 3.3: Freeman's stakeholder model



Source: Freeman (2010)

The stakeholder model is built on stakeholder theory that focuses on the individuals or groups that have a stake in or claim on the company (Melé, 2008; Freeman, Harrison, Wicks, Parmar & De Colle, 2010). Freeman (1984) explained that there is a two-way interaction between the company and its stakeholders, as shown by the arrows in Figure 3.3. Stakeholder theory emphasises that business can be understood as a set of relationships among stakeholders that are influenced by the activities of the company (Freeman *et al*., 2010).

Stakeholders are divided into primary and secondary stakeholders (Carroll & Buchholtz, 2015). Primary stakeholders are foundational to a firm's activities such as customers, suppliers, investors, employees, communities and the environment (ibid). Secondary stakeholders have an indirect stake in a company and can influence the company's reputation. Government, activist groups, the media and competitors are classified as secondary stakeholders (Carroll & Buchholtz, 2015). In the stakeholder model shown in Figure 3.3, the stakeholders are represented by the circles.

Freeman (2004) summarised the purpose of the stakeholder model as follows:

- No matter what the purpose of the business is, managers must consider the effects of their actions on others as well as their potential effects on the company.
- The company must understand stakeholders' behaviour, values and social backgrounds. Ethics and values are at the core of managing stakeholders.
- A business needs to understand how stakeholder relationships work at the rational, process and transactional levels.
- Managers should rethink how structures, processes, business functions, and strategic planning processes work to take stakeholders into account.

According to the stakeholder model, companies will be successful if they create value for and satisfy their key stakeholders' needs continually (Freeman *et al*., 2010). Consumers, employees and shareholders are strategically the most important stakeholders since they play a crucial role in the survival and success of a firm (Berman, Wicks, Kotha & Jones, 1999; Smith, 2008).

3.3.2 Corporate social responsibility and consumers

Murray and Vogel (1997) suggested that researchers should examine CSR effects by focusing on specific stakeholders notably consumers. They found that CSR actions predicted purchase behaviour, since the participants in their study were more willing to consume from a company after exposure to information about its CSR efforts. Creyer and Ross (1996) reported that customers were more likely to buy from a perceivably ethical company. Brown and Dacin (1997) examined the effects of two corporate associations on product responses, namely the company's corporate ability and its social responsibility. They developed a model that incorporated multiple paths of influence for corporate associations on consumer product responses, including CSR. They found that CSR actions affected consumers' overall evaluation of the company which in turn affected their preference for new products (Brown & Dacin, 1997).

Sen and Bhattacharya (2001) developed a CSR model that articulated the relationship between a company's CSR actions and consumers' evaluations of the company's brand and its product offerings. They found that CSR initiatives had a positive effect on consumers' evaluations of companies. This result was mediated by the overlap of consumers' perceptions of their own characteristics and that of the company's characteristics, revealed by its CSR efforts. Their results also suggested that a company's CSR initiatives can affect consumers' intentions to purchase its products (Sen & Bhattacharya, 2001).

David *et al*. (2005) found that corporate expertise and corporate social values are related to purchase intention. In addition, CSR values had significant links to purchase intention. They also found that brand familiarity and familiarity with CSR behaviour had a significant effect on the intention to purchase products/services. They noted that CSR practices are significant predictors of corporate identity (David *et al*., 2005). In contrast, Smith and Stodghill (1994) found that CSR activities were not directly related to purchase intention.

Barone, Miyazaki and Taylor (2000) reported that the effectiveness of CSR activities may vary depending on the perceived motivation of the CSR activities. Consumers are more likely to support the company if they believe that the primary motivation for engaging in the CSR activities is positive, for example to provide support for the cause, rather than negative, for example to exploit the cause to generate more sales. Moreover, Bardos, Ertugrul and Gao (2020) showed that visible community and environmental CSR practices have a positive impact on firm value by improving product market perception. This result seems to support the stakeholder theory that was discussed in Section 3.3.1 and show that CSR practices might increase firm value indirectly, through the channel of customers, by improving product market perception.

3.3.3 Corporate social responsibility and shareholders

By focusing on shareholders, Graves and Waddock (1994) as well as Petersen and Vredenburg (2009) reported a positive link between institutional investors' stock preferences and socially responsible organisations. Valor, DelaCuesta and Fernandez (2009) found that investors who participated in their study indicated that they would invest ethically even if the returns were significantly lower than the return on an average investment. Ethical investors are investors who integrate ethical as well as ESG considerations into their financial analysis and investment decision-making (Viviers *et al*., 2009).

Given that there is a close relationship between behavioural finance and consumer behaviour, some researchers have suggested that consumer theories and marketing research techniques could be used to study individual investors' preferences and decision-making (Statman, 2004; Lim *et al*., 2013). Both consumer purchase behaviour and investor investment behaviour focus on the purchasing of a product. However, the nature of the product differs, since consumer products are ready for consumption and the satisfaction of human needs, while purchasing shares in a company is usually a long-term investment and does not generally provide individuals with instant satisfaction.

Mackey *et al*. (2007) argued that the opportunity to invest in a firm engaging in CSR is a 'product' that firms sell to current and potential investors. They found that some investors might prefer to invest in a firm that is pursuing CSR initiatives even if these activities reduce the present value of the firm's cash flow. The supply and demand for ethical investment opportunities determine when socially responsible activities will be positively or negatively related to a firm's market value. These researchers suggested that managers could use the same demand and supply mechanisms employed by marketers in the product market to gauge supply and demand pertaining to socially responsible investment opportunities. Other researchers have also recognised the link between consumer behaviour and investment choices. Lim *et al*. (2013) reported that product knowledge and product involvement have an impact on investment intention. They developed an investment intention model to examine retail investors' investment decision-making processes based on consumer behaviour constructs (Lim *et al*., 2013).

3.3.4 Corporate social responsibility and multiple stakeholders

As far as could be established, Sen *et al*. (2006) were the first authors to examine the impact of CSR initiatives on multiple stakeholders, including employees, customers and investors. They investigated whether, and to what extent, awareness of a firm's CSR initiative(s) affected stakeholders' beliefs and attitudes toward the firm. They also considered stakeholders' intentions to seek employment, consume products, and buy shares from a firm. Sen *et al*. (2006) reported that CSR activity has the potential to increase the intent of stakeholders to commit personal resources (e.g., money, labour, etc.) to the benefit of a company.

In a similar study, Alniacik *et al*. (2011) examined the effect of positive and negative social responsibility information on the intentions of customers, employees and investors. They found that positive CSR information enhanced consumers' intentions to purchase products from the company, potential employees' intentions to seek employment and potential investors' intentions to invest in the company. This result supports the findings of Brown and Dacin (1997) that negative CSR associations can have a detrimental effect on product evaluations, whereas positive CSR information enhances product evaluations. Arikan, Kantur, Maden and Telci (2016) examined whether corporate reputation mediates the relationship between CSR and customer, employee and investor intentions. They found that corporate reputation fully mediates the relationship between CSR and purchase intention and the intention to seek employment. Additionally, they found that corporate reputation partially mediates the relationship between CSR and intention to invest.

3.3.5 Corporate social responsibility communication

CSR activities help companies to generate favourable relationships with their stakeholders by enhancing their purchase, employment and investing intentions (Du, Bhattacharya & Sen, 2010). CSR also helps companies to strengthen their corporate image. However, stakeholders are not always aware of a company's CSR practices (Du, Bhattacharya & Sen, 2007; Bhattacharya, Sen & Korschun, 2008; Amaladoss & Manohar, 2013). Pérez and Del Bosque (2012) stated that CSR communication is an important tool in the transmission of a corporate identity linked to CSR concerns. Communication is, hence, crucial to create a favourable CSR reputation over the long-term (Du *et al*., 2010). CSR information reveals the aspects of the corporate identity of a company that is enduring and distinctive (ibid).

Epstein and Roy (2001) and Maignan and Ferrell (2001) argued that CSR communication and the promotion of CSR programmes are essential to ensure that such programmes are successful. Authors who investigated the awareness of external (consumers) and internal stakeholders (employees) about a company's CSR activities, found that stakeholders have low awareness regarding the company's CSR activities (Sen *et al*., 2006; Du *et al*., 2007; Bhattacharya *et al*., 2008). David *et al*. (2005) provided evidence that when customers are more aware of CSR initiatives, it has a positive influence on their perception of the company's identity as well as their purchase intention.

Some stakeholders question whether companies are truly concerned about social and environmental considerations (Foreh & Grier, 2003). Ellen, Webb and Mohr (2006) found that consumers are willing to support CSR initiatives if they believe that the initiatives result in a 'win-win' situation for the community and the business. As investors are concerned about value maximisation, the financial implications and impact of CSR initiatives should, therefore, be clearly communicated (Du *et al*., 2010). Details on CSR activities should be included in annual reports (KPMG, 2017). Many companies also dedicate a section on their websites to CSR. CSR initiatives could also be communicated through TV commercials, magazines, brochures, and on product packaging (Du *et al*., 2010).

CSR practices could provide value for both stakeholders and companies. In the following section, more details are provided on the financial benefits that CSR offer to organisations and their stakeholders.

3.4 THE BUSINESS CASE FOR CORPORATE SOCIAL RESPONSIBILITY

The business case for CSR centres on the practices that create value for stakeholders and offer benefits to organisations and the communities where they operate (Carroll & Buchholtz, 2015). Drucker (1984) stated that every organisation must assume responsibility for “its impact on employees, the environment, customers and whomever and whatever it touches.” He suggested that organisations should turn a “social problem into economic opportunities, into economic benefit, into productive capacity, into human competence, into well-paid jobs and into wealth.” Consequently, Drucker (1984) argued that CSR can be seen as a business opportunity, because it can improve financial profitability. These views resulted in focus being placed on the relationship between CSR and CFP (discussed in Section 3.4.4).

Porter and Kramer (2006) agreed with Drucker (1984) that CSR can be strategically considered as an opportunity, source of innovation and competitive advantage. These motivations are important to CEOs, chief financial officers (CFOs) and other executives since they are responsible for their companies’ financial performance (O’Sullivan, 2006). They often have to justify their CSR initiatives by accounting for their financial sustainability (Carroll & Shabana, 2010).

Investors and consumers are interested in the business case for CSR (Carroll & Shabana, 2010). Shareholders that desire social change still require an acceptable return on their investment. Several consumers want to purchase products that are created in a sustainable manner. The business case for CSR can be related to reducing cost and risk, gaining a competitive advantage, developing the company’s reputation and synergistic value creation (Zadek, 2000; Kurucz, Colbert & Wheeler, 2008). These motivations will be discussed next. This section will be concluded with a discussion on the relationship between corporate financial and social performance.

3.4.1 Cost and risk considerations

A ‘traditional’ argument to engage in CSR activities is that the direct benefits should exceed the associated cost (Kurucz *et al*., 2008; Carroll & Buchholtz, 2015). Accordingly, organisations would only adopt CSR initiatives if there is a positive link with financial performance (Berger, Cunningham & Drumwright, 2007). Value can arguably be created through the trade-offs between social, environmental and economic concerns.

According to Jensen (2002), corporate value maximisation occurs when trade-offs between stakeholders are effectively managed. Companies should acknowledge that stakeholders present potential threats for their business. These threats can take various forms of expectations and demands, including consumer boycotts, increased labour costs because of high employee turnover, investors divesting etc. The stakeholders' threats can hurt the company financially or in terms of its reputation (Carroll & Buchholtz, 2015). However, these risks can be reduced by implementing CSR initiatives in the form of socially and environmentally responsible commitments (Kurucz *et al*., 2008). Smith (2005) has shown that such commitments enhance long-term shareholder value by reducing costs and mitigating risks. Likewise, Bowie and Dunfee (2002) have shown that relationships with key stakeholders that are built on trust could result in the reduction of several costs, for example by avoiding consumer boycotts and liability suits.

3.4.2 Enhancing corporate reputation and competitive advantage

Companies' CSR initiatives are often unique and could set them apart from their competitors, resulting in a competitive advantage (Kurucz *et al*., 2008). CSR policies will not only improve a company's competitive advantage with their customers, but it will also help to recruit and retain high quality employees (Martin, Petty & Wallace, 2009). Studies have shown that CSR initiatives are positively linked to purchase and investment intention (Smith, 2005; Sen *et al*., 2006). Therefore, CSR initiatives enhance the company's competitive advantage to the extent that stakeholders will seek employment with the company, purchase the company's products or decide to invest in the company (Sen *et al*., 2006; Carroll & Shabana, 2010).

Competitive advantage and corporate reputation are closely linked (Matzler & Hinterhuber, 1998; Davies, Chun, Vinhas da Silva & Roper, 2003). Companies could achieve competitiveness from their reputation (Davies *et al*., 2003). Davies *et al*. (2003) explain that a favourable corporate reputation generates favourable perceptions of the company. These perceptions become visible in the attractiveness of the company's products, services and brands that lead to sales growth which provides the company with a competitive advantage (Davies *et al*., 2003). Corporate reputation is, therefore, regarded as one of the main drivers for companies to invest in CSR (Kurucz *et al*., 2008). Corporate reputation is both valuable and vulnerable, since any stakeholder group can influence corporate reputation (Ivey, 2010). CSR initiatives could contribute to a favourable reputation among various stakeholders (Sen & Bhattacharya, 2001; Martin *et al*., 2009).

Researchers have found that brand reputation could form an essential part of a differentiation marketing strategy. Loyal customers, employees and suppliers could be attracted if a company has a favourable corporate reputation, resulting in higher profits (Brown & Dacin, 1997; Sen & Bhattacharya, 2001; Sen *et al*., 2006). Martin *et al*. (2009) agreed that CSR programmes can help firms with reputation problems. They also believe that CSR can provide a competitive advantage regarding human resources. Martin *et al*. (2009) mentioned that potential recruiters are increasingly giving attention to a company's CSR policy. By implementing CSR programmes, a company can by implication attract and retain high-quality employees (Martin *et al*., 2009). Ivey (2010) supported these findings by concluding that a positive corporate reputation, together with strong CSR, helps a business to retain and recruit top talent, facilitate partnership, increase sales, enhance shareholder value and withstand crises.

3.4.3 Synergistic value creation

Synergistic value creation entails a 'win-win' situation by connecting stakeholders' diverse interests to develop a virtuous circle of CSR and value creation (Martin *et al*., 2009). This virtuous circle highlights positive gains through combining resources and good management (Waddock & Graves, 1997). Companies can satisfy stakeholders' demands while achieving the operational objectives of the business (e.g. profitability) (Carroll & Shabana, 2010).

Drucker (1984) explained that CSR entails that companies "turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs, and into wealth." Wheeler, McKague, Thomson, Davies, Medalye and Prada (2005) showed that there are sustainable activities in developing countries that result in virtuous cycles of reinvestment in human, social, financial and ecological capital. Based on the business case for CSR, it can be concluded that stakeholders such as consumers, employees and investors are the key drivers of CSR (Kurucz *et al*., 2008).

3.4.4 Linking corporate financial and social performance

The relationship between CFP and CSP is important, as healthy financial returns increase investment intention (Michelson *et al*., 2004; Al-Tamini, 2006; Nilsson, 2008). Some investors want to invest responsibly without sacrificing returns. A responsible investor is an investor who integrates ethical as well as ESG considerations into his/her financial analysis and investment decision-making (Viviers *et al*., 2009). Some investors question whether CSR activities translate into higher sales and profits (Carroll & Shabana, 2010). More details are provided on responsible investment in Section 3.5.

Several researchers investigated the relationship between CFP and CSP and reported inconclusive results. Some authors reported that socially responsible firms are more profitable than firms that do not engage in socially responsible initiatives (Cochran & Wood, 1984; Waddock & Graves, 1997; Breuer & Nau, 2014; Friede *et al*., 2015). Orlitzky, Schmidt and Rynes (2003) performed a meta-analysis of 52 studies that investigated the relationship between CFP and CSP. They found that financially successful companies spend more money on CSR because they can afford it. CSR in turn helps the firm to be more financially successful (Orlitzky *et al*., 2003). A firm's financial performance is, hence, deemed as a driver of its social performance.

Orlitzky *et al*. (2003) also reported that CSR is positively related to internal organisational efficiency. In addition, Margolis and Walsh (2003) conducted a review of 127 empirical studies on the relationship between CFP and CSP. They concluded that there seems to be a positive association between the constructs. They added that there is 'minor evidence' of a negative relationship between CFP and CSP (Margolis & Walsh, 2003). Martin *et al*. (2009) concluded that "CSR programmes make sense from a financial perspective." However, other authors reported a negative relationship between CFP and CSP (Brammer *et al*., 2006; Prior, Surroca & Tribó, 2008; Makni, Francoeur & Bellavance, 2009). Conversely, some authors suggested that there is no relationship between CSP and CFP (Barnett & Salomon, 2006; Siew, Balatbat & Carmichael, 2013).

Carroll and Shabana (2010) suggested that mediating variables should be incorporated when analysing the relationship between CFP and CSP to capture the 'full potential' of CSR. Corporate reputation, i.e. the manner in which stakeholders such as customers, investors and regulators view a company, is deemed the most important mediator by several authors (Fombrun & Shanley, 1990; Neville, Bell & Mengüç, 2005; Arikan *et al*., 2016).

Logsdon and Wood (2002) and Orlitzky *et al*. (2003) agreed that CSR contributes to a positive reputation which in turn 'guarantees' loyal external stakeholders such as customers, investors and suppliers. By focusing on the positive relationship between CFP, CSP and corporate reputation, one could argue that a company's CSR practices might have an impact on investors' intent to invest in that company. Responsible investors, in particular, prefer to include companies with good CSR profiles in their portfolios (Crane & Matten, 2010). Orlitzky (2008) remarked that some responsible investors may be willing to pay a premium for the shares of companies with high CSR disclosures.

3.5 SOCIALLY RESPONSIBLE INVESTING

SRI is often used interchangeably with responsible investing. The term SRI can be defined as an investment style that integrates ESG considerations into investment decision-making to create long-term value for both the society and shareholders (Renneboog, Ter Horst & Zhang, 2008). Williams (2007) added that SRI is a process of identifying and investing in companies with certain socially responsible standards.

Benson, Brailsford and Humphrey (2006) proposed that the investment process followed when deciding to invest in socially responsible firms includes financial items (such as returns) and non-financial items (such as ethical or moral concerns). Socially responsible investors make investments based on the extension of their lifestyle and want to apply their beliefs and values to their economic life (Webley, Lewis & Mackenzie, 2001). Statman (2006) supported this idea by stating that SRI is an integrated investment decision based on personal values, societal concerns and financial factors.

3.5.1 Socially responsible investing considerations

Responsible investors could take account of ethics, religion and ESG considerations when selecting an investee company (Stang, 2012; Berry & Junkus, 2013). Ethics serves as a guideline for morally acceptable behaviour (Carroll & Buchholtz, 2015). Ethical considerations are subjective as they are based on personal value systems and beliefs (Stang, 2012).

Business ethics focuses on ethical issues that arise in commercial businesses, government organisations, not-for-profit business and other organisations. The term accounts for morality in behaviour, actions, policies and practices in the business context (Crane & Matten, 2010; Carroll & Buchholtz, 2015). Ethical factors are a major dimension of relationships between corporate entities and stakeholders since the emergence of CSR and SRI (Norum & Gottlieb, 2011). Moral values and fairness are typical traits of responsible investors (Crane & Matten, 2010).

Religious beliefs could influence SRI (Kurtz, 2008). The Quakers were the first investors to avoid investment in certain shares because of their morals and faith (Schueth, 2003). Christian investors often quote scriptures to support social investment. Mackenzie (1997) explained that John Wesley, the founder of Methodism, emphasised that the New Testament explains that Christians should not benefit at the expense of their conscience or their neighbours' wealth or health. Based on these beliefs, Wesley stated that Christians should never engage in any business that harms other individuals' health, for example alcohol companies (Mackenzie, 1997).

The Qur'an and the Sunna (the sources of Islamic law) likewise provide a foundation for investments based on ethical values (Franzoni & Allali, 2018). Islamic SRI entails a combination of religious and financial considerations (ibid). Islam prohibits investment in activities such as alcoholic drinks, pork, weapons, tobacco, pornography and gambling (Iqbal & Mirakhor, 2011). Investment in the shares of companies that are directly or indirectly involved in these activities is also prohibited. Funds that are compliant with the Islamic law exclude financial institutions and companies with high levels of financial leverage, debtors and interest income based on the ethical values stated in the Qur'an (El-Gamal, 2006).

As consumers and investors are increasingly challenged with global warming and other environmental issues, SRI increasingly takes an environmental focus (Eisenhofer & Levin, 2005). Environmentally related CSR initiatives include waste management, reducing pollution, energy management, engaging in recycling and conservation and sustainable management of natural resources (Wilson, 2010). Wilson (2010) claimed that a business with a strong commitment to the environment can enhance its reputation from a consumer and investor perspective. Derwall, Guenster, Bauer and Koedijk (2005) reported that the shares of companies with high environmental ratings outperformed poorly rated ones.

Companies with a social focus contribute financial resources and human capital to improve the well-being of society. Corporate social initiatives include community development, investment in education, providing affordable housing, supporting initiatives to combat crime, supporting human immunodeficiency virus (HIV) and acquired immunodeficiency syndrome (AIDS) initiatives, promoting job creation, and engaging in sport, culture and skills development (Leipziger, 2010). Responsible investors view strategic philanthropical social programmes as good for business (McAlister & Ferrell, 2002). Leipziger (2010) argued that companies with CSR programmes are more profitable since they attract loyal customers and suppliers. Companies that are viewed as good corporate citizens are more likely to attract and retain high quality employees (McWilliams & Siegel, 2000; Hillman & Keim, 2001; Bagnoli & Watts, 2003; Orlitzky *et al*., 2003).

The g-component of ESG, namely corporate governance, is defined as the way in which a corporation is steered (Carroll & Buchholtz, 2015). Corporate governance is concerned with the rights and accountability of stakeholders by dealing with issues such as the composition of the board of directors, board and board committee meeting attendance, executive renumeration and the separation of the role of the chairperson and CEO (Carroll & Buchholtz, 2015; Hebb, Hawley, Hoepner, Neher & Wood, 2016). Corporate governance has the potential to improve economic efficiency and growth. Good corporate governance is increasingly important for investor confidence, since it involves a set of relationships between the company's management, board of directors, investors and other stakeholders (Donaldson, 2003; Kocmanová & Dočekalová, 2012). Corporate governance can also be viewed as a way in which investors ensure a return on their investment as it is a set of procedures that protect outside investors from insiders (Shleifer & Vishny, 1997a).

Several studies reported a positive relationship between good corporate governance and firm profitability (Brown & Caylor, 2006; Bhagat & Bolton, 2008; Brown & Gørgens, 2009). Eisenhofer and Levin (2005) concluded that investing in companies with sound corporate governance programmes and practices makes economic sense and will provide companies and investors with long-term profitability. Investors also highly regard corporate governance for reasons beyond profitability such as that it promotes fairness, equity and respectability (Brown & Caylor, 2006). In the next section, several SRI strategies will be explained briefly.

3.5.2 Socially responsible investing strategies

The SRI considerations discussed in Section 3.5.1 are integrated in several SRI strategies that responsible investors can use to quantify CSR, including screening, shareholder activism and impact investing. Screening entails the inclusion or exclusion of companies in an investment portfolio based on a range of social and environmental criteria (Barreda-Tarrazona, Matallín-Sáez & Balaguer-Franch, 2011). Negative screening involves avoiding certain businesses that produce and sell specific products such as alcohol, tobacco and pornography (Barreda-Tarrazona *et al*., 2011; Viviers *et al*., 2009). Certain religious groups also exclude companies that manufacture pork-related products (Kurtz, 2008). Some investors will also exclude companies that violate labour norms such as child labour (Berry & Junkus, 2013).

Positive screening entails the inclusion of companies that actively engage in socially responsible practices in an investment portfolio (Barreda-Tarrazona *et al*., 2011). For example, an investor could screen a company's record pertaining to positive corporate governance and social issues (Carroll & Buchholtz, 2015). The best-of-sector screening method entails the inclusion of securities from companies across different economic sectors (Bauer, Koedijk & Otten, 2005). An advantage of this method is that more efficient portfolio diversification can be accomplished. Berry and Junkus (2013) found that investors seem to invest in companies with positive social behaviour rather than exclude firms based on particular products or practices.

Shareholder activism signifies shareholders actively communicating with corporate boards on specific ESG issues when management is not acting in the best interests of their stakeholders (Guay, Doh & Sinclair, 2004; Uysal & Tsetsura, 2014). Shareholder activists communicate with corporate leaders through filing shareholder resolutions related to ESG issues or using voting rights at corporate annual general meetings (De Cleene & Sonnenberg, 2004). Investors can also divest from the company or use the media in an attempt to transform the company's actions (Guay *et al*., 2004). The main disadvantage of this type of strategy is that shareholders need to have a significant number of shares in the company to be able to affect corporate practices (Viviers *et al*., 2009).

The impact investing approach refers to supporting a particular cause by financing it (Viviers *et al*., 2009). This type of investing can be classified as primary or secondary investments (Viviers, 2007). Primary investments have a visible impact on the economy in terms of infrastructure and job creation (Viviers *et al*., 2009). Secondary investments give investors the opportunity to influence corporate decisions involving ESG policies (ibid).

Some individual investors prefer to invest in the shares of companies that represent their values (Kurtz, 2008; Firer & Viviers, 2013). Such investors apply an investment strategy that primarily focuses on the positive aspects of corporate behaviour. The companies that are usually chosen by this type of investor have strong brands and favourable corporate reputations (Kurtz, 2008). This strategy confirms the claims that CSR advocates a strong reputation (Logsdon & Wood, 2002; Orlitzky *et al*., 2003).

3.5.3 The SRI market and role players

The US is considered as the environment where SRI was first implemented, since the 18th century Quakers were the first group of investors to apply religious screening (Viviers, 2007). The first mutual funds that adopted SRI principles were created in the US in 1920 (Viviers, 2007). Since then, the US SRI market has grown rapidly with 1 320 per cent from 1995 to 2016 (GSIA, 2016). In 2018, the US SRI market amounted to $11.995 trillion (GSIA, 2018). The UK SRI market developed in the 1980s (Norum & Gottlieb, 2011). In 2018, the UK was the biggest SRI market globally ($14.075 trillion in assets in SRI) (Ibid). The SRI markets in both the US and UK experienced significantly higher growth than the conventional asset classes (GSIA, 2018).

While international SRI markets like the US and the UK are sophisticated, the first SRI fund was only launched in South Africa in 1992 (Viviers *et al*., 2009; Du Plessis, 2015). Companies and investors in South Africa are challenged with multiple social concerns such as unemployment, HIV/AIDS, poverty, crime and social injustice (Hebb *et al*., 2016). These concerns and the country's Apartheid history play a major role to drive CSR in South Africa (Fig, 2002).

Several regulatory developments and voluntary practices contribute to transformation in the country (Skinner & Mersham, 2008). The Employment Equity Act (No. 55 of 1998) and the Broad-Based Black Economic Empowerment (B-BBEE) Act (No. 53 of 2003) were introduced with the aim to address the inequalities that resulted from the Apartheid system (ibid). Furthermore, the King IV Report on corporate governance provides guidelines for CSR application, value creation and integrated reporting (IoDSA, 2016).

Another significant driver of CSR in South Africa is the Johannesburg Stock Exchange (JSE). The JSE (2014) launched the SRI Index that includes companies that integrate ESG in their business activities. The index facilitates investment in socially responsible companies (ibid). The JSE was the first emerging stock exchange to implement an SRI Index. In July 2019, 73 constituents formed part of the Financial Times Stock Exchange (FTSE)/JSE SRI Index (JSE, 2019). The index measures constituent companies' environmental, social and economic sustainability in terms of their CSR policies, performance and reporting. Corporate governance practices are also taken into account (JSE, 2014). The JSE also launched a green bond segment in October 2018 to provide a platform for companies to raise funds for low-carbon initiatives and to offer bonds for investors that want to invest in truly green securities (Khumalo, 2019).

Customers' views became an important driver of CSR in South African companies (Kabir, Mukuddem-Petersen & Petersen, 2015). Many customers prefer to buy products from a socially responsible company. In 2015, the Nielsen Global Corporate Sustainability Report (Nielsen, 2015) showed that 68 per cent of South African consumers choose to purchase goods from a company that has a good CSR reputation.

Regarding investment opportunities, 57 impact investment funds were established in South Africa in 2017 (Bertha Centre, 2017). The GSIA (2018) reported that in 2018, $339.5 billion were invested in impact investment projects in Southern Africa (South Africa, Botswana, Namibia). This amount has increased with 23 per cent since 2017 (GSIA, 2018).

3.6 MAIN CONSTRUCTS FROM THE LITERATURE REVIEW

Based on the literature reviewed in Chapters 2 and 3, several main constructs were identified, namely CSR practices, attitude and perception, corporate identity and investor intention. This section provides a summary of the links between these main constructs.

Given the growing importance of CSR and the considerable investment in CSR practices (Alniacik *et al*., 2011; Dowling & Moran, 2012), it is essential to understand how these activities impact on the decisions made by different stakeholders. Psychology theory states that researchers focusing on decision-making should specifically consider the attitudes of individual market participants (Oberlechner & Hocking, 2004). Attitude and perception have been identified as main constructs that explain human behaviour (Fishbein & Ajzen, 1975; Davidson & Jaccard, 1979; Cohen, 2005; Parumasur & Roberts-Lombard, 2014). The TPB model shows that attitude comprises of perception, which influences intention. In turn, intention influences behaviour and the decision-making process. Researchers have shown that attitude influences investment decision-making. Consequently, it has been proposed that the TPB model could also be applied to the investment context (East, 1993, Alleyne & Broome, 2011, Adam & Shauki, 2014).

Research has shown that the perception of a corporation's identity plays an important role in stakeholders' intentions to consume its products and services and to invest in its shares (Miller & Sturdivant, 1977; Winters, 1988). Corporate expertise and corporate values are critical to a company's image and organisations have realised that a strong corporate identity can attract customers, employees and investors (Melewar & Karaosmanoglu, 2006). It has been shown that CSR practices have a positive impact on both corporate image and corporate reputation (Meehan *et al*., 2006; Maruf, 2013).

Previous researchers mainly focused on the effects of CSR on customers' intent to purchase, as reported in marketing literature (Brown & Dacin, 1997; David *et al*. 2005) Sen and Bhattacharya (2001) argued that consumers' perceptions of their own characteristics and those of the company should be taken into account. Very limited research has, however, been conducted to understand the effect of CSR on other key stakeholders, including investors.

The vast majority of finance studies do not use decision models like those employed in other disciplines, such as marketing and consumer behaviour. Some researchers have suggested that consumer theories and marketing research methodologies could be used to study individual investor preferences and decision-making (Statman, 2004; Fama & French, 2007; Lim *et al*., 2013). Therefore, the role that perception of corporate identity and CSR practices play in individuals' intent to invest in a company should be investigated to provide insight on investors' perceptions regarding the dynamics between the CSR practices and corporate identity of a company.

3.7 SUMMARY

While several social responsibility themes were developed during the 1800s and 1900s, the CSR concept was only officially recognised in the 1950s. The social responsibility of a company encompasses society's economic, legal, ethical and discretionary expectations. This chapter highlighted that companies could enhance their financial performance by engaging in CSR initiatives.

The business case for CSR was discussed to explain that CSR practices create value for stakeholders and offer many benefits to organisations and the communities where they operate. Various motivations why an increased focus on CSR activities could benefit a company were explained, including cost and risk reduction, gaining a competitive advantage, developing a favourable corporate reputation and synergistic value creation. Attention was given to Freeman's (1984) stakeholder model, Carroll's (1979) CSP model and Wood's (1991) CSP model to determine the major dimensions of CSR that contribute to social performance. SRI has grown exponentially over the past few decades. Responsible investors are increasingly becoming interested in companies with good CSR profiles. Such investors derive utility from both financial and non-financial performance aspects.

Based on the preceding discussion, it could be argued that companies that engage in CSR can 'do well by doing good'. This argument justifies that SRI criteria should be applied when individual investors are evaluating investments and making investment decisions. An overview of the existing literature highlighted the need to assess the role that perception of corporate identity and CSR practices play in the investment intention of potential individual investors. The research methodology adopted to address the identified research gap will be explained next.

CHAPTER 4

RESEARCH DESIGN AND METHODOLOGY

4.1 INTRODUCTION

"Research is creating new knowledge."

This quote by Neil Armstrong (1930-2012), an aeronautical engineer and the first person to walk on the moon, emphasises that one of the main goals of research is to create new knowledge or expand on existing knowledge (Kemper, Meyer, Van Rys & Sebranek, 2018). To achieve this goal, a researcher should identify a fundamental problem and derive a research topic (Zikmund *et al*., 2013). Chapter 2 provided an overview of traditional and behavioural finance theory, attitude and perception, investment decision-making, and corporate identity. Chapter 3 provided a discussion on CSR after which the researcher identified a gap in the literature, namely, to assess the role that perception of corporate identity and CSR practices play in the investment intention of potential individual investors.

Data should be collected to analyse the components included in the research model (Lee & Lings, 2008). A business research process was followed (Section 4.2), consisting of a sequence of interrelated activities. These activities include defining the research problem, objectives and hypotheses (Sections 4.3 and 4.4), selecting an appropriate research design and methodology (Sections 4.5 and 4.6), collecting data (Sections 4.7 and 4.8) and analysing data (Section 4.9) (Collis & Hussey, 2009; Zikmund *et al*., 2013; Wild & Diggines, 2013). An overview of the validity, reliability and ethical considerations are included in Sections 4.10 and 4.11.

4.2 BUSINESS RESEARCH

Research is a systematic process of collecting, recording, analysing and interpreting information with the purpose to create new knowledge (Collis & Hussey, 2009; Wilson, 2014). Business research is particularly important to define opportunities and problems, generate ideas, and monitor performance to facilitate business decision-making (Zikmund *et al*., 2013; Wild & Diggines, 2013; Wilson, 2014).

The business research process comprises of a series of interrelated steps that can overlap (Zikmund *et al*., 2013). The nine-step business research process suggested by Cant, Gerber-Nel, Nel and Kotzé (2003) was followed in this study. Table 4.1 outlines the business research process and the sections where each step is discussed.

Table 4.1: Nine-step business research process

Step	Explanation	Section
1	Identify and formulate the research problem.	Section 4.3
2	Determine the research objectives.	Section 4.4
After the research problem and research objectives have been defined, the appropriate research type should be decided on.		Section 4.5
3	Develop a research design.	Section 4.6
4	Conduct secondary research.	Section 4.6.1
5	Conduct primary research.	Section 4.6.2
6	Determine the research frame.	Section 4.6.4
Specific attention should be given to the study's population and sample.		Section 4.6.4.1 and 4.6.4.2
7	Collect data.	Section 4.8
8	Process data.	Section 4.9
9	Report the research findings.	Chapters 5 and 6

Source: Adapted from Cant *et al*. (2003)

4.3 BUSINESS RESEARCH PROBLEM INVESTIGATED IN THIS STUDY

Organisations have responsibilities towards different stakeholders whose well-being are affected by the organisations' activities (Alniacik *et al*., 2011). An increasing number of companies around the globe are acknowledging and addressing CSR. As such, CSR activities are increasingly used as a business tool to promote financial returns, cultivate a favourable reputation and enhance workforce productivity (Dowling & Moran, 2012).

Previous researchers mainly focused on the effects of CSR on customers' intent to purchase. Brown and Dacin (1997) established that CSR actions affected consumers' evaluation of a company which, in turn, affected their preference for new products. Sen and Bhattacharya (2001) argued that consumers' perceptions of corporate characteristics play a mediating role in this regard. David *et al*. (2005) added that the CSR values of a company significantly influence customers' purchase intention.

Some researchers have suggested that consumer theories and marketing research techniques could be used to study individual investor preferences and decision-making (Statman, 2004; Fama & French, 2007; Lim *et al*., 2013). By accounting for behavioural finance theory, East (1993) reported that individual investors' attitudes towards a particular firm could influence their decision to invest in the firm. As far as could be established, very limited research has been conducted to evaluate the effect of CSR perception on individual investor intention.

Therefore, this study was conducted to address the identified knowledge gap by investigating the role that perception of corporate identity and CSR practices play in individuals' intent to invest. A dual-process model based on consumer behavioural constructs, that was developed by David *et al*. (2005), was adapted for this purpose. Refer to Appendix A for a visual representation of this model.

4.4 RESEARCH OBJECTIVES AND HYPOTHESES

Research objectives should be derived to assist the researcher in addressing the research problem. The primary objective of this study was to assess the role that perception of corporate identity and CSR practices play in the investment intention of potential individual investors.

To address the primary research objective, five secondary objectives were formulated:

- **Secondary objective one:** To assess the effect of CSR practices on the expertise and value dimensions of corporate identity.
- **Secondary objective two:** To assess the importance of the expertise and value dimensions of corporate identity as part of individuals' intent to invest.
- **Secondary objective three:** To assess whether CSR practices affect individuals' intent to invest through the dimensions of corporate identity.
- **Secondary objective four:** To assess the effect of CSR familiarity on individuals' intent to invest.

- **Secondary objective five:** To assess the effect of brand familiarity on individuals' intent to invest.

The following hypotheses were formulated to investigate the interrelated associations between the variables, based on the preceding research objectives.

4.4.1 First secondary objective

Hypotheses 1 to 6 were developed to address this objective.

$H_{01:}$ *Discretionary* CSR practices have no effect on corporate expertise.

$H_{a1:}$ *Discretionary* CSR practices have a positive effect on corporate expertise.

$H_{02:}$ *Discretionary* CSR practices have no effect on corporate values.

$H_{a2:}$ *Discretionary* CSR practices have a positive effect on corporate values.

$H_{03:}$ *Moral* CSR practices have no effect on corporate expertise.

$H_{a3:}$ *Moral* CSR practices have a positive effect on corporate expertise.

$H_{04:}$ *Moral* CSR practices have no effect on corporate values.

$H_{a4:}$ *Moral* CSR practices have a positive effect on corporate values.

$H_{05:}$ *Relational* CSR practices have no effect on corporate expertise.

$H_{a5:}$ *Relational* CSR practices have a positive effect on corporate expertise.

$H_{06:}$ *Relational* CSR practices have no effect on corporate values.

$H_{a6:}$ *Relational* CSR practices have a positive effect on corporate values.

4.4.2 Second secondary objective

Hypotheses 7 and 8 were developed to address this objective.

H_{07}: The perception of corporate expertise has no effect on investment intention.

H_{a7}: The perception of corporate expertise has a positive effect on investment intention.

H_{08}: The perception of corporate values has no effect on investment intention.

H_{a8}: The perception of corporate values has a positive effect on investment intention.

4.4.3 Third secondary objective

Hypotheses 9 to 14 were developed to address this objective.

H_{09}: The influence of *discretionary* CSR practices on investment intention is not mediated by corporate expertise, such that there is no indirect effect.

H_{a9}: The influence of *discretionary* CSR practices on investment intention is mediated by corporate expertise, such that the indirect effect is positive.

H_{010}: The influence of *discretionary* CSR practices on investment intention is not mediated by corporate values, such that there is no indirect effect.

H_{a10}: The influence of *discretionary* CSR practices on investment intention is mediated by corporate values, such that the indirect effect is positive.

H_{011}: The influence of *moral* CSR practices on investment intention is not mediated by corporate expertise, such that there is no indirect effect.

H_{a11}: The influence of *moral* CSR practices on investment intention is mediated by corporate expertise, such that the indirect effect is positive.

H_{012}: The influence of *moral* CSR practices on investment intention is not mediated by corporate values, such that there is no indirect effect.

H_{a12}: The influence of *moral* CSR practices on investment intention is mediated by corporate values, such that the indirect effect is positive.

H_{013}: The influence of *relational* CSR practices on investment intention is not mediated by corporate expertise, such that there is no indirect effect.

H_{a13}: The influence of *relational* CSR practices on investment intention is mediated by corporate expertise, such that the indirect effect is positive.

H_{014}: The influence of *relational* CSR practices on investment intention is not mediated by corporate values, such that there is no indirect effect.

H_{a14}: The influence of *relational* CSR practices on investment intention is mediated by corporate values, such that the indirect effect is positive.

4.4.4 Fourth secondary objective

Hypotheses 15 to 17 were developed to address this objective. The hypotheses are formulated as follows:

H_{015}: The influence of CSR familiarity on investment intention is not mediated by corporate expertise, such that there is no indirect effect.

H_{a15}: The influence of CSR familiarity on investment intention is mediated by corporate expertise, such that the indirect effect is positive.

H_{016}: The influence of CSR familiarity on investment intention is not mediated by corporate values, such that there is no indirect effect.

H_{a16}: The influence of CSR familiarity on investment intention is mediated by corporate values, such that the indirect effect is positive.

H_{017}: CSR familiarity has no direct effect on investment intention.

H_{a17}: CSR familiarity has a positive direct effect on investment intention.

4.4.5 Fifth secondary objective

Hypothesis 18 was formulated to address this objective.

H_{018}: Brand familiarity has no effect on investment intention.

H_{a18}: Brand familiarity has a positive effect on investment intention.

4.5 TYPES OF RESEARCH

Once the research problem and research objectives have been defined, an appropriate research type should be selected. Research can be classified according to the purpose, technique, process, logic and outcome thereof (Collis & Hussey, 2009; Zikmund *et al*., 2013). Table 4.2 indicates the different types of research that will be discussed in this section. By classifying research by its purpose (the reason why the research is conducted), it is shown how the nature of a decision situation influences the research methodology (Zikmund *et al*., 2013).

Table 4.2: Classification of the main types of research

Type of research	Basis of classification
Exploratory, descriptive and causal	Purpose of the research
Quantitative and qualitative	Process of the research
Deductive and inductive	Logic of the research

Source: Adapted from Collis and Hussey (2009)

4.5.1 Exploratory, descriptive and causal research

Exploratory research is conducted to explore relatively unknown areas (Zikmund *et al*., 2013). One of the objectives is to gain insight and improve understanding of a problem experienced by a manager or researcher (Malhotra, 2002). Exploratory research can also include a preliminary survey before a more structured study of the phenomenon is undertaken (Wild & Diggines, 2013). This type of research does not intend to provide conclusive evidence, but rather to identify patterns and ideas that can contribute to the development of meaningful research questions (Collis & Hussey, 2009; Wild & Diggines, 2013). Exploratory research designs typically employ surveys, focus groups, in-depth interviews, case studies and observation (Wilson, 2014).

In contrast to exploratory research, conclusive research (descriptive and causal research) is designed to assist the researcher in determining, evaluating, and selecting the best course of action for a given situation (Malhotra, 2002). Exploratory research can be used as a building block to conduct conclusive research (ibid). Descriptive research is conducted with the purpose to describe characteristics of a certain problem or issue which could include objects, people and organisations (Collis & Hussey, 2009; Zikmund *et al*., 2013). This type of research answers questions such as who, what, when, where, and why (Wild & Diggines, 2013). Descriptive research is conducted after the researcher understands the situation that is being studied to determine possible interactions between variables (Zikmund *et al*., 2013). This research design typically makes use of a survey or observation (Wilson, 2014).

Causal research seeks to identify cause-and-effect relationships (Zikmund *et al*., 2013). This type of research is undertaken if a researcher can make an educated prediction about the impact of one variable on another variable (Malhotra, 2002). Causal inference can only be supported if there is evidence of temporal sequence, concomitant variance, and nonspurious association. Temporal sequence deals with the time order of events. This means that the causal variable must create its influence before the outcome occurs (Wilson, 2014). Concomitant variation entails that, if there is a change in the cause, a change in the effect should be observed (Zikmund *et al*., 2013). Nonspurious association means that any covariance between a cause and an effect is not attributed to a third variable that influences both variables (ibid). Laboratory and field experiments are often conducted to establish cause-and-effect relationships (Wild & Diggines, 2013).

The purpose of the study determines the type of research that is conducted (Collis & Hussey, 2009). Since the purpose of the current study was to assess the role that perception of corporate identity and CSR practices play in individuals' investment intention, an appropriate company had to be identified. As such, exploratory research was firstly conducted by distributing a paper-based survey among the participants of a focus group, comprising business management post-graduate students, to explore which company should be included in the electronic survey. Refer to Section 4.8.1 for more details in this regard. After a company was selected, the focus shifted to the role that perception of corporate identity and CSR practices play in individuals' investment decisions. Secondly, descriptive research was conducted to determine the nature of the phenomena under question. The interaction between the variables, namely brand familiarity, CSR familiarity, CSR practices, corporate identity, and investment intention were examined by means of an electronic survey. See Section 4.8.2 for more details on the electronic survey.

Once the research purpose has been determined, the philosophical classification can be established. This is discussed in the following section.

4.5.2 Research paradigms

A study's research paradigm is derived from its underlying philosophical assumptions and goals (Hudson & Ozanne, 1988). Philosophy is the "use of reason or argument in seeking truth and knowledge, especially of ultimate reality or of general causes and principles" (Oxford Compact Dictionary and Thesaurus, 1997). Kuhn (1962) states that a paradigm is universally recognised as a scientific achievement that provides representative problems and solutions to practitioners. Research paradigms consist of three main interrelated philosophical dimensions, namely ontology, epistemology and axiology (Hudson & Ozanne, 1988).

Ontology is concerned with what constitutes reality (Crotty, 1998; Scotland, 2012). Epistemology is considered a 'theory of knowledge' which involves the creation, acquisition and communication of knowledge (Crotty, 1998; Moser, Mulder & Trout, 1998; Scotland, 2012). Axiology is the philosophical study of the role of values and ethics (Scruton, 1996; Mingers, 2003; Collis & Hussey, 2009). Based on their research philosophy, researchers in the social sciences could adopt either a positivistic or interpretive research paradigm. Table 4.3 provides a summary of the different approaches related to these two paradigms. More details on the assumptions are provided in the discussion that follows.

Table 4.3: Summary of positivistic and interpretive research approaches

Assumptions	Positivistic	Interpretive
	Ontological	
Nature of reality	• Objective • Tangible • Single reality exists	• Socially constructed • Holistic • Multiple realities exist
Nature of social beings	• Deterministic • Reactive	• Voluntary • Proactive
	Axiological	
Overriding goal	• Explanation under general principals • Prediction	• Understanding phenomena
	Epistemological	
Knowledge generated	• Time-free • Context-independent	• Time specific • Context-dependent
View of causality	• Real causes exist	• Does not distinguish a cause from an effect
Research relationship	• Objective • Separation between researcher and participants	• Interactive • Cooperative environment

Source: Adapted from Hudson and Ozanne (1988)

4.5.2.1 Positivistic research paradigm

The positivistic paradigm is based on the philosophical ideas that observation and reason are the means of understanding human behaviour (Henning *et al*., 2004). Burrell and Morgan (1979) remarked that positivistic researchers seek to explain and predict what happens in the social world, by searching for possible causality.

Hudson and Ozanne (1988) explained positivism at the hand of its ontological, axiological and epistemological assumptions, as shown in Table 4.3. Positivists' ontological assumption entails logical reasoning and assuming that a single, objective reality exists independently of what individuals perceive (Kolakowski, 1972; Hudson & Ozanne, 1988; Collis & Hussey, 2009). This single reality enables precise and accurate measurements and observations, usually in a laboratory setting where variables can be controlled (Burrell & Morgan, 1979). Positivistic researchers argue that facts and values are separated, since independent facts are quantitatively measured concerning a single reality (Healy & Perry, 2000). Healy and Perry (2000) remarked that positivistic researchers view the world through a "one-way mirror".

The positivists' axiology or overriding goal is to explain the interrelated relationship of the objects that are studied (Collis & Hussey, 2009). Based on their goals and their assumptions of reality, positivists use general, abstract principals that ideally can be applied to an infinitely large number of phenomena, people and/or settings (Hudson & Ozanne, 1988). Therefore, positivists aim to identify time-free and context-independent generalisations (Keat & Urry, 1975). Positivists' epistemology is characterised by identifying causality, since their main goal is to explain phenomena. They believe that human action can be explained as the result of a real cause that temporally precedes their behaviour (Hunt, 1983). As positivistic researchers believe that it is possible to control their own influence on the study, they deem themselves objective towards their study. The positivistic paradigm is associated with quantitative data collection and analysis (Blaxter *et al*., 2006). Quantitative research is explained in more detail in Section 4.5.3.

4.5.2.2 Interpretive research paradigm

The discussed positivistic assumptions are not always applicable to social sciences studies, especially when the behaviour of people is investigated (Collis & Hussey, 2009). Some authors argued that, as researchers are part of the social world that they study, the research process can influence both the researcher and the research participants (Shaffir & Stebbins, 1990). Social scientists and theorists challenged the traditional scientific methods which led to the development of an alternative paradigm, namely interpretivism (Collis & Hussey, 2009). The axiology or overriding goal of interpretivism is to understand human behaviour, rather than predicting it (Rubinstein, 1981).

Hudson and Ozanne (1988) explained that the interpretive paradigm is characterised by a continually evolving research design. Researchers that adopt this paradigm seek to describe unknown perceived realities that are time and context-specific (Lee & Lings, 2008). Therefore, interpretivists' ontological assumption is that more than one 'real world' exist (Hudson & Ozanne, 1988). Interpretive researchers believe that reality is perceived and that individuals develop theories to help them make sense of their worlds (Burrell & Morgan, 1979).

Berger and Luckman (1967) explained that reality is socially constructed in that “all human knowledge is developed, transmitted, and maintained in social situations.” Multiple realities thus exist because of different individual and group perspectives. As perceived realities change, the research design has to be adapted (Hudson & Ozanne, 1988). The understanding of a phenomenon is constantly in flux, since previous interpretations are considered as current interpretations and the current interpretations will influence future interpretations. As such, interpretations are always deemed incomplete if the interpretative paradigm is applied (Lee & Lings, 2008).

Some interpretive researchers only create descriptive or ideographic knowledge as they place considerable emphasis on the details related to a phenomenon (Hudson & Ozanne, 1988). Interpretive researchers argue that the world is complex and, therefore, it is impossible to distinguish a cause from an effect. In interpretive research, the researcher and the individuals under investigation interact and create a cooperative environment (Reason & Rowan, 1981). The interpretive paradigm is associated with qualitative research, which will be explained in Section 4.5.3. The current study was based on a positivistic paradigm, given that the researcher aimed to explain and identify interrelated associations pertaining to the discussed concepts.

4.5.3 Qualitative and quantitative research

As mentioned in Section 4.5.2 the positivistic paradigm is associated with quantitative data collection and analysis (Blaxter *et al*., 2006). Hyde (2000) stated that a quantitative research approach enables a researcher to draw a large and representative sample from a population to measure the sample’s behaviour. Quantitative research could enable a researcher to make generalisations regarding the population (Hyde, 2000). Aliaga and Gunderson (2000) added that quantitative research is used to explain phenomena by collecting numerical data that are analysed using statistics. Punch and Oancea (2014) believe that quantitative research conceptualises reality in terms of variables. These variables can be measured to explain the possible interrelationships between the different constructs (Wild & Diggines, 2013).

Qualitative research is often conducted under the interpretivism paradigm. Research objectives are addressed by applying techniques that allow the researcher to explore issues, understand underlying reasons, and provide elaborate interpretations of phenomena (Wild & Diggines, 2013). Zikmund *et al*. (2013) explained that qualitative research focuses on discovering inner meanings and new insights. Qualitative data do not depend on numerical measurement, but are rather unstructured and in a narrative format (Wilson, 2014). This type of data could include text, visuals, and oral expressive descriptions (Zikmund *et al*., 2013).

For the current study, quantitative research was conducted. This research type offers numerous advantages (Zikmund *et al*., 2013). Quantitative data are easier and less time consuming to analyse than qualitative data (Wilson, 2014). Furthermore, as quantitative data are based on numerical measurements, researchers are generally more objective about their findings (Zikmund *et al*., 2013). The results are more generalisable if a large sample is used (Hyde, 2000).

4.5.4 Deductive and inductive research

There is a constant interplay between the construction and testing of theories by researchers (De Vaus, 2002). In practice, theory testing can be deductive, inductive or a combination thereof. A study is deductive in nature if a conceptual theoretical structure is developed which is then tested by empirical observation to either confirm or contradict the theory (Collis & Hussey, 2009). Positivistic researchers typically view social science as an organised method of employing deductive logic combined with empirical observations of individual behaviour to confirm theories that can be used to predict human behaviour (Neuman, 2003). Collins (2010) stated that deductive reasoning is often used to determine the interrelationships between variables. In contrast, inductive research entails the development of a theory from the observations of empirical reality (Collis & Hussey, 2009), typically by conducting exploratory research (Wilson, 2014).

For the purpose of the current study, a deductive research approach was followed. A literature review was first conducted on theories regarding behavioural finance, investment decision-making, corporate identity, and CSR. Hypotheses were then formulated to test these theories. In summary, a positivistic research paradigm was adopted for the current study. The deductive research method was performed, and descriptive research was conducted. Accordingly, quantitative data were collected. The next step in the business research process (Table 4.1) is to develop a research design.

4.6 RESEARCH DESIGN

The research design is a framework that is used to guide the process of data collection and analysis (Wild & Diggines, 2013). The collection of secondary and primary data is discussed next.

4.6.1 Secondary research

Secondary research refers to data that were collected for another purpose than the research problem at hand (Malhotra, 2002). As secondary data are readily available, the data collection process is rapid and usually less expensive compared to primary data collection (Zikmund *et al*., 2013). Secondary research enables social science researchers to build an argument and to evaluate the results of previous researchers in their field (Kumar, 2011). For the current study, secondary research was conducted to evaluate existing literature on the topics of corporate identity, CSR, and investment-related considerations. The secondary research was also used to identify the research gap.

Secondary data can be collected through libraries, the internet or media sources (Zikmund *et al*., 2013). The secondary research for this study was done by reviewing relevant academic journal articles, textbooks, corporate publications and websites. The journal articles were identified by using EBSCOhost and Google Scholar.

Articles on South Africa's leading and most valuable brands were consulted to develop the paper-based survey that was used to identify an appropriate company for the electronic survey (refer to Section 4.8.1 for more details). The sustainability reports of the selected company were electronically collected from the company's website and used to develop the electronic survey. The selected company's CSR rating was obtained from CSRHub Sustainable Management Tools (CSRHub, 2019). These CSR ratings of companies are based on their impact on the environment, employees, community and governance. This database was also used to design the CSR practices measure that was used in the current study (refer to Section 4.8.2 for more details). The next section sets out the collection of primary data.

4.6.2 Primary research

Primary research is conducted if data are not yet in existence to address a study's research objective(s) (Malhotra, 2002). The collected data is therefore original, up-to-date and relevant to a specific research topic. Primary data is appropriate for the specific research problem and accurately addresses the research objectives of the current study (Wild & Diggines, 2013). The collection of primary data can, however, be expensive and time-consuming (Malhotra, 2002). Several techniques can be employed to collect primary data, including surveys, observations, focus groups and experiments (Zikmund *et al*., 2013). Malhotra (2002) states that surveys are the most common primary data collection method employed by social scientists. Primary data were collected by means of this technique, as discussed in the following section.

4.6.3 Survey research technique

A survey is defined as a method of collecting and organising primary data based on communication with research respondents (De Vaus, 2002; Zikmund *et al*., 2013). It is a cost-effective and efficient way to collect quantitative data (Zikmund *et al*., 2013). Survey research is typically undertaken to understand the cause(s) of a social phenomenon by investigating the interactions between variables (De Vaus, 2002). Survey research can also provide insight into stakeholder behaviour (Malhotra, 2002). The purpose of this study was to investigate the interactions between several constructs and their effect on specific stakeholders' behaviour, namely potential investors' intent to invest.

Two main types of survey designs can be used to conduct descriptive research, namely cross-sectional and longitudinal designs (Malhotra, 2002). A cross-sectional design focusses on data collection at a specific point in time (De Vaus, 2002; Zikmund *et al*., 2013). As this design type is only presented to respondents once, it cannot be used to measure changes over time. Longitudinal studies are conducted at multiple points in time, thus allowing analysis of changes over time (Zikmund *et al*., 2013).

Cross-sectional studies are less time-consuming and less expensive than longitudinal studies (Rindfleisch, Malter, Ganesan & Moorman, 2008). As respondents might drop out or refuse to participate in a long-term study (Malhotra, 2002; Collis & Hussey, 2009), it is easier to select a representative sample for a cross-sectional study. However, cross-sectional studies can be less accurate than longitudinal studies and prone to recall bias, since they usually rely on past purchase or investment behaviour rather than on a continuous recording of purchases or investments made (Malhotra, 2002).

Jap and Anderson (2004) remarked that cross-sectional surveys are commonly used in marketing and consumer-related research. Rindfleisch *et al*. (2008) noted that 94 per cent of 178 survey-based articles published in the *Journal of Marketing* and *Journal of Marketing Research* were cross-sectional studies. A cross-sectional design was adopted for this study. The surveys requested respondents to make decisions based on the current situation (see Appendices C and E), rather than asking them if they made a resolution and then following up to see if the resolution was kept.

4.6.4 Sampling design

The sampling design explains the framework within which the sampling will take place, including the sampling type and the sample size (Onwuegbuzie & Collins, 2007). The target population should be determined before selecting the sample.

4.6.4.1 Target population

The paper-based questionnaire was distributed among a focus group of business management honours students to select a company for this study, as will be explained in detail in Section 4.8. After the company was selected, an electronic questionnaire was distributed to the target population to address the primary objective of this study, namely to investigate the role that perception of corporate identity and CSR practices play in the investment intention of potential individual investors. A population is defined as a complete group of units/individuals that share some mutual characteristic(s) (Zikmund *et al*., 2013). The target population pertaining to the electronic questionnaire consisted of the total number of students studying at Stellenbosch University during the second semester of 2019.

It is debatable whether university students are applicable research participants. Some researchers argue that university students are not representative of the general population, because they only represent a small selected group (Landis & Kuhn, 1957; Gordon, Slade & Schmitt, 1986). Sears (1986) objected to the use of students as research respondents, because students may not be representative of the average consumer, customer or investor. Students and non-students furthermore arguably have different skills and experiences. The age dispersion of student respondents is usually also very narrow (Sears, 1986; Wells, 1993).

Lynch (1982), however, expressed the view that students are reasonable substitutes for non-student respondent groups, such as consumers, customers or investors. He argued that research conducted with non-students is not more generalisable than findings based on student respondents. The use of student samples is justifiable, since some student respondents are “real-life” customers, consumers or investors (Lynch, 1982). Druckman and Kam (2011) argued that student subjects do not intrinsically have a negative impact on external validity. They used simulations to identify situations where student subjects are likely to constrain inferences and show that these situations are very limited. Alniacik *et al*. (2011) argued that students are prospective investors and may already view themselves as stakeholders of a specific company in the investment domain.

In the current study, investment behaviour of potential investors has been considered. Although student participants might not be involved in investment activities while they are studying, they are arguably anticipating generating income in future and would be familiar with financial planning (Sen *et al*., 2006). Another point to consider is that younger individuals are typically more sensitive to CSR issues than more mature individuals (Sen *et al*., 2006). Social consumerism and SRI are linked to younger consumers and investors (Rosen, Sandler & Shani, 1991; Diamantopoulos, Schlegelmilch, Sinkovics & Bohlen, 2003; Nilsson, 2008). Junkus and Berry (2010) added that socially responsible investors are often younger than their mainstream counterparts. It is, therefore, argued that students are likely to have the tendency to invest in a company based on its CSR performance. As it is usually impractical and uneconomical to collect data from every individual in the target population, a subset of the target population, called a sample, is selected (Kelley, Clark, Brown & Sitzia, 2003).

4.6.4.2 Sampling technique

There are two main sampling techniques, namely probability or non-probability sampling. The former entails that every member of the population has a known probability of being included in the sample (Wilson, 2014). Probability sampling, therefore, represents an unbiased subset of the population (Collis & Hussey, 2009). Examples of probability sampling include simple random sampling, systematic sampling, and stratified sampling (ibid).

If non-probability sampling is used, the probability of any particular member of the population being chosen is unknown (Zikmund *et al*., 2013). Units of analysis are usually selected based on convenience, personal judgement or snowball sampling. Convenience sampling (also referred to as availability sampling) is conducted by selecting participants that are conveniently available (De Vaus, 2002). Although convenience sampling could generate a large number of respondents at a low cost (Zikmund *et al*., 2013), respondents may not be representative of the population, since they volunteer to take part. They might possess certain characteristics that other individuals in the population do not possess (Collis & Hussey, 2009). As such, the results may not be generalisable to the population.

Participation in the current study was voluntary. As such, the probability that a particular population member responded is unknown. All students enrolled at Stellenbosch University have a student email address based on their student number. These addresses are conveniently available at the Registrar's office. Since these email addresses were used to send the electronic survey to all students registered during the second semester of 2019, convenience sampling was conducted. All students registered in the respective faculties at Stellenbosch University were invited to take part in the study. As the sample was not limited to financial and investment management students, the researcher could reach more respondents and offer conclusions applicable to students from diverse academic backgrounds.

The required sample size for a study depends on the planned statistical analysis, the degree of accuracy required for the sample and the extent of expected variation within the population regarding key characteristics (Clegg, 1990; De Vaus, 2002). In general, the larger the sample the more accurate the research results (Zikmund *et al*., 2013). If the sample size is increased, sampling error can be reduced. Therefore, a large sample size is likely to result in more accurate findings (ibid).

4.6.4.3 Fieldwork

During the fieldwork phase of the research process the researcher contacts the respondents, administers the survey, and records the data (Malhotra, 2002). For this study, the paper-based questionnaire (discussed in Section 4.8.1) was distributed among a focus group of business management honours students. They were invited to complete the survey during a lecture during the third term of 2019. This fieldwork was administered by the main supervisor.

Malhotra (2002) explained that data collection involves using a 'field force' that may either operate in the field or from an office. The field force for the electronic survey (discussed in Section 4.8.2) was operated from the researcher's office. The survey was emailed through the *Sunsurveys* portal to all students that were registered at Stellenbosch University during the second semester of 2019. This web-based e-survey service is available to postgraduate students at Stellenbosch University to collect primary data from student respondents. In the following section, the dual-process model that was employed to develop the measurement instrument is explained.

4.7 DUAL-PROCESS MODEL

An appropriate decision-making model had to be identified to enable the researcher to assess the relationship between CSR perception, and intention to invest. Based on a comprehensive literature review it was evident that a model, that could be applied in the context of investment decision-making, was lacking. The dual-process model, developed by marketing researchers David *et al*. (2005), was identified as a suitable model that could be adapted to address this study's objectives. Some researchers argue that consumer theories and marketing research techniques could be used to study individual investor preferences and decision-making (Statman, 2004; Fama & French, 2007; Lim *et al*., 2013). This model was, hence, selected and adapted to investigate the effect of corporate identity and CSR practices on investors' intent to invest (see Appendix A). The adapted model comprises two parts. The first part accounts for the bond between an investor and a specific company in terms of corporate identity. As discussed in Section 2.6, corporate identity has two dimensions, namely corporate expertise and corporate values. The first dimension includes traits such as expert, skilled, experienced and innovative. The corporate values dimension focuses on CSR values and includes activist, compassionate, sincere and trustworthy. Both dimensions are evaluated by the perceptions that potential investors have of a company.

The corporate expertise dimension is driven by willing transactions between the organisation and its stakeholders, whereas the corporate values dimension is driven by discretionary practices that aim to improve societal issues (David *et al*., 2005). One of the objectives of the current study was to assess the role that the expertise and value dimensions play in individuals' intent to invest. Investors' perceptions of brands are likely to influence their investment decisions (Melewar & Karaosmanoglu, 2006).

The second part of the model incorporates investors' perceptions of the specific CSR practices (discretionary, moral and relational actions) of a company (David *et al*., 2005). The literature review showed that CSR practices are likely to influence corporate identity (Meehan *et al*., 2006; Maruf, 2013). Researchers also suggested that corporate identity plays a role in investment decision-making (Melewar & Karaosmanoglu, 2006; Alniacik *et al*., 2011). In the adapted model, corporate identity is regarded as a mediating variable that links CSR practices with investment intention. The tangible business benefits that CSR activities could offer were assessed and the impact on investment intention was assessed in a particular company.

The model also accounts for CSR familiarity and brand familiarity. The minimum requirement for CSR activities to have an effect on corporate identity and investment intention is investors' familiarity with CSR activities (David *et al*., 2005). Brand familiarity is considered separately from CSR familiarity to enable the researcher to evaluate the importance of CSR familiarity individually.

Kumar (2011) explains that, after an appropriate theoretical model has been designed, survey data can be collected. This is achieved by means of a measurement instrument that the researcher constructs, or one that was previously constructed by other researchers. In the following section, the measurement instrument is explained in detail.

4.8 MEASUREMENT INSTRUMENT

A questionnaire is one of the most widely used methods to collect information about individuals' attitude, intention, and behaviour (Bradburn, Sudman & Wansink, 2004; Dörnyei & Taguchi, 2009). A paper-based and an electronic-based questionnaire were employed for the purpose of this study.

4.8.1 Paper-based questionnaire

The researcher had to select an applicable company to examine the dynamics between CSR familiarity (by accounting for specific practices) and the two dimensions of corporate identity. A paper-based questionnaire was used for this purpose, since it is relatively inexpensive and easy to distribute among a small group of respondents (Zikmund *et al*., 2013). Several considerations were taken into account to select the companies that were included in this questionnaire.

Firstly, only large, familiar companies were included, since familiarity forms part of the dual-process model (refer to Section 4.7). Such companies were identified by consulting press articles on South Africa's leading and most valuable brands. Secondly, companies that are perceived as leaders in their industry were chosen to address the expertise dimension of corporate identity. Thirdly, companies that recently (2018-2019) received press coverage of their CSR initiatives were selected to evaluate CSR practices. This was determined by searching for articles on the companies' CSR initiatives and consulting their websites. Fourthly, companies that value younger consumers were also included, since the study focuses on young individuals, as explained in Section 4.6.

Most young individuals make use of banking services, buy retail products, and own a cell phone. Banks, retailers and mobile network providers were included, since young individuals engage with such companies on a regular basis. These companies were also selected based on their diverse nature and different levels of CSR participation. The companies indicated in Table 4.4 were selected for the paper-based questionnaire based on the discussed criteria.

Table 4.4: Companies included in the paper-based questionnaire

Sector	Companies
Banking	FNB
	ABSA
	Capitec Bank
	Standard Bank
	Nedbank
Retail	Shoprite
	Pick n Pay
	Woolworths
	Spar
Telecommunications (Mobile network providers)	Vodacom
	Cell C
	MTN

4.8.1.1 Questionnaire design

The first question asked respondents which South African company came to mind if they think of a company with a good CSR reputation. This question was included to test the respondents' unaided recall of a company with a good CSR reputation. Next, the respondents were asked to rate their familiarity with each company in the banking sector on a five-point Likert scale, ranging from "very unfamiliar" to "very familiar". The respondents were asked if they are a client of any of the banks and to provide the name(s) of the bank(s) of which they are a client. This question was included to identify possible home bias, since clients usually value their own choice of bank as the best in the sector. Respondents were then asked to name the South Africa bank which they consider having the best CSR reputation.

The question format explained in the paragraph above was also applied for the retail and mobile network providers. The consent form and paper-based questionnaire are included as Appendices B and C, respectively.

4.8.1.2 Questionnaire analysis

The questionnaire was completed by a focus group comprising 19 business management honours students to identify the company that would be used in the electronic survey. Table 4.5 shows the results of the questionnaire for the banking sector companies.

Table 4.5: Questionnaire results for the banking sector

Company	Unaided recall	Average familiarity score (five-point Likert scale)	CSR %	Client %
FNB First National Bank	2	4.32	26%	36.84%
absa	0	4.05	0%	10.53%
CAPITEC BANK	0	3.95	37%	26.32%
Standard Bank	0	4.05	16%	26.32%
NEDBANK	1	4.21	21%	26.32%

As can be seen in the second column of Table 4.5, FNB had the highest average score for familiarity, followed by Nedbank. Although the majority of the respondents regarded Capitec as the bank with the best CSR reputation, Capitec only achieved a familiarity score of 3.95. FNB and Nedbank were identified as companies that could be considered for the study based on their familiarity and CSR percentage score. Next, the questionnaire results for the retail sector are shown in Table 4.6.

Table 4.6: Questionnaire results for the retail sector

Company	Unaided recall	Average familiarity score (five-point Likert scale)	CSR %	Client %
SHOPRITE	1	4.05	11%	0%
Pick n Pay	0	4.73	11%	21.05%
W WOOLWORTHS	4	4.84	74%	36.84%
SPAR	0	4.63	5%	47.37%

Based on the familiarity scores above 4, it is evident that the respondents were very familiar with all four retailers. Woolworths had the highest average familiarity score and was considered as the company with the best CSR reputation. Based on the familiarity and CSR scores, Woolworths could have been considered for the study. The questionnaire results for the mobile network companies are shown in Table 4.7.

Table 4.7: Questionnaire results for the mobile network companies

Company	Unaided recall	Average familiarity score (five-point Likert scale)	CSR %	Client %
vodacom	0	4.53	63%	52.63%
Cell C CONNECT YOUR WAY	0	3.58	21%	5.26%
MTN	0	4.11	16%	42.11%

As can be seen in Table 4.7, Vodacom had the highest familiarity score and was also considered as having the best CSR reputation. As none of the respondents considered any of these companies as having the best CSR reputation in South Africa, none of these companies were considered for inclusion in the electronic survey.

The following conclusions were made based on the results of the paper-based questionnaire. Nedbank obtained a high familiarity score and was regarded as having a good CSR reputation by several respondents. Although FNB obtained a higher average familiarity score and a higher CSR score than Nedbank, more of the respondents were clients of FNB which could have resulted in bias towards the company.

Woolworths received the overall highest familiarity and CSR score, but its target market is medium to high income consumers. The respondents that were asked to participate in the paper-based questionnaire and that were invited to fill out the electronic questionnaire were students (discussed in Section 4.6). Most students might not have the financial capacity to purchase goods from Woolworths and might, therefore, not be familiar with the company.

In contrast, Nedbank does not target a specific income group. University students are likely to have a bank account to receive educational loans, study grants and parental contributions. Although university students might only have basic banking needs, they are nevertheless an expanding captive audience for commercial banks in many countries, including South Africa (Thwaites & Vere, 1995; Mokhlis, Salleh & Mat, 2009; Chigamba & Fatoki, 2011). Nedbank have product options specifically designed for students, including free digital banking and unlimited Nedbank ATM withdrawals and debit card swipes (Chetty, 2019). Basel (2019) remarked that Nedbank is considered as one of the best student loan providers in the country.

Nedbank is also known as the ‘green’ bank (Jooste, 2019; Van Zyl, 2019). The company was recently in the news for withdrawing funding from two new coal-fired power stations to support their vision of ‘green’ funding and sustainability initiatives (Van Zyl, 2019). They are also known as the first bank in South Africa to list a renewable energy bond on the green segment of the JSE to extend their support of clean energy provision in South Africa (Jooste, 2019; Khumalo, 2019). Nedbank engages in several other CSR initiatives such as providing school children with uniforms and other basic school items as well as investing in sustainable agriculture practices through the World Wide Fund for Nature South Africa (WWF-SA) (Nedbank Group, 2018). Nedbank continued their ‘green’ journey in 2020 by becoming the first South African company to adopt a sustainable energy policy and disclose lending linked to fossil-fuel (including oil and gas) projects (Sguazzin, 2020). Based on the preceding discussion, Nedbank was selected to be included in the electronic questionnaire.

4.8.2 Electronic questionnaire

Given the associated advantages, an electronic questionnaire was employed to assess the role that perception of corporate identity and CSR practices of Nedbank play in the investment intention of potential individual investors. The usage of online questionnaires considerably reduces processing time and costs (Greenlaw & Brown-Welty, 2009; Dodge & Chapman, 2018). Researchers can also reach a large group of respondents within a short period (Schonlau, Fricker & Elliott, 2002). Graphical elements like photographs, pictures or the logo of a company can be easily included in electronic questionnaires (Evans & Mathur, 2005). The latter was applicable in the case of the current study.

The disadvantages of using an online questionnaire include that the response rate is often quite low (Couper, Kapteyn, Schonlau & Winter, 2007). To overcome a low response rate, an incentive can be offered to respondents (Church, 1993; Singer, 2002; Göritz, 2010). Cobanoglu and Cobanoglu (2003) found that a lucky draw yielded the highest response rate. The current study offered participants the option to be entered in a lucky draw to win an Apple iPad after they completed the questionnaire. As an incentive might result in participants completing the questionnaire several times (Göritz, 2010), the electronic questionnaire was programmed to allow one entry per participant. Respondents might be concerned about the protection of their personal information (Berry, 2004). This concern is addressed in Section 4.11.

The electronic questionnaire measured respondents’ brand familiarity with Nedbank by asking them to rate how familiar they were with Nedbank on a Likert scale ranging from 1 to 5, where 1 represented “not at all familiar” and 5 represented “very familiar”. Refer to Section 4.8.3 for a justification on the employed Likert scales.

Each respondent's perception of Nedbank's corporate identity was then measured. This was done by using the corporate identity scale developed by David *et al*. (2005). Respondents were presented with eight traits that covered the two dimensions of corporate identity, namely corporate expertise and corporate social values. Respondents were asked to rate Nedbank on each of the considered corporate identity attributes on a five-point Likert scale ranging from 1, which represented "does not describe the company" to 5, which represented "accurately describes the company".

The questionnaire then measured the respondents' personal salience with, and perception of, the CSR practices and outcomes of Nedbank. As explained in Chapter 3, CSP captures three major dimensions of CSR, namely social responsibilities, philosophy of social responsiveness and social issues. It is challenging to construct a representative measure of CSP, because of the multi-dimensionality thereof. Furthermore, the measurement of a single aspect of CSP provides a limited perspective of a firm's total social performance (Wolfe & Aupperle, 1991).

Researchers often select CSP measures that are readily available in their countries. In previous studies the Socrates database (now known as ESG Manager) was used to evaluate CSP (Sen & Bhattacharya, 2001; David *et al*., 2005). This database does not provide data for South African companies. The CSRHub (2019) rating was therefore employed. This platform categorises activities under four general domains, namely community, employees, environment and governance. These domains are divided into 12 sub-categories that were identified as CSR behaviours for the purpose of the current study (CSRHub, 2019). David *et al*. (2005) suggested that these sub-categories are divided into three CSR practice categories, namely moral/ethical, discretionary and relational.

Table 4.8 provides the questions that were formulated based on the CSRHub domains and sub-categories, as well as CSR practice categories. These questions were used to firstly measure respondents' personal salience on a Likert scale, where 1 represented "not at all important", to 5, which represented "extremely important". Secondly, the respondents' perception of the CSR practices of Nedbank were measured by asking respondents to rate the performance of the company according to each of the CSR behaviours on a five-point Likert scale, where 1 represented "performs very poorly", and 5 represented "performs very well". Hereafter, the respondents were asked how likely they were to invest in Nedbank based on their performance rating, once again using a five-point Likert scale ranging from 1, which represented "very unlikely" to 5, which represented "very likely".

Table 4.8: Perceived importance of CSR practices measurement items

Domain	Sub-categories	Questions	CSR Practice category
Community	Community development and philanthropy	Does the company contribute to the community through charitable giving?	Discretionary
		Does the company contribute to the community through volunteerism of staff time?	Discretionary
	Product development and impact on society at large	Does the company produce goods/services that could harm consumers?	Moral
	Human rights	Does the company respect human rights?	Moral
Employees	Compensation and benefits	Does the company provide fair compensation for their employees?	Moral
	Diversity and labour rights	Does the company combat discrimination based on race, gender, or religion?	Moral
	Training, health and safety	Does the company provide a healthy and safe work environment?	Moral
Environment	Energy and climate change	Does the company address climate change?	Moral
	Environment policy and reporting	Does the company report on how they reduce their environmental impact?	Relational
	Resource management	Does the company act in an environmentally friendly manner?	Moral
Governance	Board	Does the company have a diverse board?	Moral
	Leadership ethics	Does the company have healthy relationships with their stakeholders?	Relational
	Transparency and reporting	Does the company engage in unethical business practices such as bribery and corruption?	Moral

Source: Adapted from CSRHub (2019)

The questionnaire also measured familiarity with Nedbank's CSR practices on a five-point Likert scale ranging from 1, which represented "not at all familiar" to 5, which represented "very familiar". The CSR actions that were used in the questionnaire were obtained from recent (2018/2019) news articles and the sustainability section of the integrated report of Nedbank Group (2018). Hereafter, the respondents were asked how likely they are to invest in the company, now that they are familiar with the company's CSR practices. This question was again measured on a five-point Likert scale ranging from 1, which represented “very unlikely” to 5, which represented “very likely”.

Nedbank’s actual CSR score that was obtained from the CSRHub (2019) database was then provided. Each respondent was again asked how likely he/she was to invest in the company, based on the company’s actual CSR score. Responses were indicated on a five-point Likert scale ranging from 1, which represented “very unlikely” to 5, which represented “very likely”.

The demographic questions that were included in the questionnaire focused on the age, gender, education level, and field of study of the participants. Questions related to the collection of the demographic data were alternated with the discussed questions to limit survey fatigue. The respondents were also asked if they have ever invested in the shares of a company before, as well as to name the investment platform that they used for this purpose. These questions were included to determine how many respondents have already invested in shares. The questionnaire was concluded by asking the respondents to enter their email address if they wished to take part in the lucky draw. Appendix E contains the online questionnaire.

4.8.3 Justification for employing a Likert scale

The Likert scale is one of the most fundamental and frequently used scales in social science research (Joshi, Kale, Chandel & Pal, 2015). Researchers argue that its main strength is the ability to capture different aspects of attitude, ranging from beliefs to behaviour (Albaum, 1997; Manstead & Semin, 2001). Cook and Beckman (2006) added that the Likert scale was developed to quantify traits such as perception. As respondents are asked to indicate their level of agreement or disagreement with a given statement, the usage of a Likert scale does not force a participant to take a yes-no stand on a particular topic (De Vaus, 2002; Zikmund *et al*., 2013). Respondents are also presented with a neutral or undecided option. As this study aimed to measure different components of attitude and perception as well as investment intention, a 5-point Likert scale was considered appropriate.

Researchers have debated how many categories should be included on a Likert scale (Lehmann & Hulbert, 1972; Lissitz & Green, 1975). Lissitz and Green (1975) found that reliability increased up to 5-points and then started to decrease beyond 5-points. Jenkins and Taber (1997) agreed that reliability increased from 2-point to 3-point to 5-point Likert scales, but that is was equivalent thereafter for 7-point and 9-point scales. Schwarz and Wyer (1985) remarked that lengthy scales might be more confusing in terms of context than those of moderate length. If more points are added to a Likert scale, the value of potential information could increase if the respondents make fine distinctions between the different points on the scale (Krosnick & Presser, 2010). However, as students' mental representations of the constructs might not be that refined, they might not make use of the full scale (ibid). The five-point Likert scale, therefore, makes it easier to answer the questions presented in the questionnaire.

4.8.4 Accounting for errors and biases

It is important to adhere to certain values regarding the control of bias, the maintenance of objectivity during the research process, and conclusions drawn from the study (De Vaus, 2002; Collis & Hussey, 2009; Kumar, 2011). Several errors and biases could potentially arise if electronic questionnaires are used. In this study, non-coverage, sample frame bias, item non-response, dropout rate, social desirability bias, and self-selecting bias were addressed.

Non-coverage refers to the lack of internet access (Couper *et al*., 2007). Fan and Yan (2010) explained that coverage error can result in a non-representative sample of the target population. As a result, the findings cannot be generalised. Email-distributed surveys have the potential to produce sample frame bias, since some of the respondents might not have internet access (Dodge & Chapman, 2018). In the current study, students were invited to take part in the study via their student email addresses. Stellenbosch University provides students with wireless internet access and therefore very few students would lack internet access.

Non-response items are a concern in self-administrated online questionnaires, since respondents could fail to fill in all the items as they work their way through the questions (Denscombe, 2009). This concern was addressed by programming all the questions as mandatory. All questions in a section hence had to be answered before respondents were allowed to proceed to the next part of the questionnaire. This might result in a high dropout rate, since some respondents could feel 'forced' to complete all the questions (Dodge &

Chapman, 2018). However, Tourangeau, Conrad and Couper (2013) indicated that mandatory coding of responses does not significantly increase dropout rates.

Vicente and Reis (2010) found that questionnaire length and the visual presentation of a questionnaire had a significant impact on the dropout rate. The electronic questionnaire for this study took approximately 20 minutes to complete. A company logo and matrix tables were included to visually improve the presentation of the questionnaire.

Social desirability bias refers to bias in responses that are caused by respondents' desire to create a favourable impression (Zikmund *et al*., 2013). Some respondents might over-report socially desirable behaviour or attitudes. Several researchers have reported that social desirability bias is less common in self-administered surveys than interviewer surveys (Heerwegh & Loosveldt, 2008; Kreuter, Presser & Tourangeau, 2008). Krumpal (2011) commented that social desirability biases are more likely in surveys that concern undesirable behaviours. Social desirability bias could have played a role in the current study, since engaging in CSR could be considered a desirable behaviour. The use of self-administered surveys in the current study could have reduced this bias. Self-selection bias could play a role in self-administered online questionnaires (Zikmund *et al*., 2013). This bias occurs when people who feel strongly about a subject are more likely to take part in a study (ibid). Respondents who feel strongly about CSR were possibly more likely to take part in the current study.

4.9 DATA PREPARATION AND ANALYSIS

After the primary data were collected, the next step in the business research process entails the preparation and analysis thereof. Data analysis can only commence after the raw data are processed and converted into a suitable format. Malhotra (2002) explained that carefully executed data preparation can improve the quality of the findings and lead to better managerial decisions.

The first step in preparing the data is to check for completeness (Zikmund *et al*., 2013). All questions included in the questionnaire were mandatory and, therefore, no incomplete responses could be submitted. In addition to completeness, the questionnaire should also be reviewed to increase accuracy and precision (Malhotra, 2002). The questionnaire only contained one open-ended question relating to the platform that respondents have used to invest in shares. Responses to this question were checked to ensure that relevant platforms were mentioned. The questionnaire was then coded by *Sunsurveys* and stored as an Excel workbook and SPSS file.

After the data preparation has been completed, the data analysis strategy should be selected. The main goal of data analysis is to give meaning to the data. Ali and Bhaskar (2016) described data analysis as “breathing life into lifeless data”. The statistical packages that were used to test the proposed hypotheses include Statistica, SmartPLS and R (lmer package). For the current study, descriptive and inferential analysis were conducted.

4.9.1 Descriptive analysis

The main goal of descriptive statistics is to gain an understanding of the nature of the data and to describe the basic characteristics of the data (Zikmund *et al*., 2013). Measures of central tendency, distribution, and variability were employed for this purpose. The mean, median, and mode are widely applied to locate the centre of a dataset’s distribution (Gravetter & Wallnau, 2016). The variability of the data indicates the degree of difference in a sample and can be measured by the range, variance, and standard deviation of responses (De Vaus, 2002).

The demographic data that were collected in the study included gender, age, level of study, and faculty. The measurement levels used for these variables are classified as ordinal scales. The frequency, proportion, and the mean were used to describe and summarise the demographic data. Frequency indicates the number of individuals that are located in each category (Gravetter & Wallnau, 2016). By measuring the frequency, researchers are able to determine whether the scores are concentrated or spread across the scale (Pagano, 2012; Gravetter & Wallnau, 2016). Proportion describes the frequency in relation to the total number of participants (Gravetter & Wallnau, 2016). This measure can be used to calculate percentages by multiplying the proportion value with 100.

An overall score was calculated for some of the constructs (corporate identity, CSR attitude, CSR practices and CSR familiarity). Average scores were determined by calculating the arithmetic mean score for each construct. The arithmetic mean is the most prominent measure of central tendency (De Vaus, 2002). The mean is calculated by adding the values for each case in the sample and dividing the sum by the number of observations (Gravetter & Wallnau, 2016). This measure is easily understood and unique, since only one mean can be calculated for a dataset (ibid). It is, therefore, advantageous to describe a dataset according to its mean value. However, the mean is very sensitive to outliers (Pagano, 2012). Trimmed means can be used, and a fixed percentage of the outlier values can be discarded, to address this concern (Howell, 2012).

The score for the corporate expertise dimension of corporate identity was calculated by averaging the respondents' ratings of the expert, experienced, skilled and innovative traits on a Likert scale. An average score was also calculated for the corporate value dimension of corporate identity. An overall average score for corporate identity was then calculated based on the average scores of the expertise and value dimensions. The mean was furthermore used to calculate an overall average score for respondents' attitude towards CSR practices and their familiarity with the actual CSR practices of Nedbank.

The variability of an average score needs to be evaluated to determine how well the mean summarises the distribution (De Vaus, 2002). The sample variance is calculated by summing the square of the differences between the observations and their mean, divided by the number of observations minus one (Wackerly *et al*., 2008). As the variance is not easily interpretable, the standard deviation can be calculated (De Vaus, 2002).

The standard deviation of a sample is the positive square root of the variance (Wackerly *et al*., 2008). The measure is used to indicate the extent of variation of the observations from the mean observation (ibid). A low standard deviation indicates that the observations are located close to the mean (Zikmund *et al*., 2013). De Vaus (2002) commented that a large standard deviation indicates that the mean might not be representative of the typical observation.

4.9.2 Inferential analysis

Multivariate inferential analysis involves the application of statistical methods that simultaneously analyse underlying dimensions among multiple variables (Zikmund *et al*., 2013). SEM, a type of multivariate analysis method that is used to examine interrelationships between variables (Wong, 2013), was conducted for the purpose of this study. The SEM method is often used by business researchers since latent variables (such as perception), that cannot be observed directly and are difficult to measure, can be included in the model (Haenlein & Kaplan, 2004; Hair *et al*., 2014a).

4.9.2.1 Structural equation models

When planning to conduct SEM analysis, two components should be taken into account, namely the structural model and the measurement model. The structural model indicates how the latent variables (constructs) are related to one another, while the measurement model is concerned with how the constructs are measured (Hair *et al*., 2014a). There are two different approaches to SEM analysis that can be employed, namely covariance-based SEM (denoted as CB-SEM) and PLS-SEM (Hair *et al*., 2014a).

The PLS-SEM method uses an ordinary least squares (OLS) regression-based method to estimate the path relationships in the model, whilst decreasing the error terms. In contrast, the CB-SEM method is based on the maximum likelihood estimation procedure that attempts to minimise the difference between the observed covariance matrix and the proposed theoretical covariance matrix (Chin & Newsted, 1999). In this study, PLS-SEM was employed to test the measurement and structural models, since the overriding goal is to explain and predict the dependent latent variables (Hair, Sarstedt, Hopkins & Kuppelwieser, 2014b). As this type of SEM analysis does not have rigorous restrictions in terms of sample size or data distributions, some sample problems that are often associated with social science research are removed (Hair *et al*., 2014b; Klette, 2017). The PLS-SEM method accommodates constructs that are measured by a few or even single items (for example brand familiarity and investment intention in the current study) without any identification problems (Hair *et al*., 2014a). The method provides reliable path coefficients when the structural model is complex with many latent variables (Wold, 1985), as formulated in the current study (refer to Appendix A).

There are some limitations associated with PLS-SEM. The statistical technique cannot model undirected correlation, since the arrows are always heading in a single direction. As circular relationships were not investigated in this study, this limitation was not a concern. Since constructs in PLS-SEM are measured by observed indicator variables, a degree of measurement error can exist. This error is present in the construct scores and could, therefore, result in bias pertaining to the path coefficient estimates. Reinartz, Haenlein and Henseler (2009) showed through simulation studies that PLS-SEM bias is not relevant for most applications. Other authors agreed that PLS-SEM bias is of limited relevance in most empirical settings (Ringle, Götz, Wetzels & Wilson, 2009). Therefore, bias in the path coefficient estimates is not regarded as a problem for the current study.

When conducting PLS-SEM analysis, the path model is divided into a structural model and a measurement model (Chin, 1998). The structural (inner) model describes the hypothesised paths between the constructs, which are regarded as regression equations based on OLS regression (Haenlein & Kaplan, 2004). The measurement (outer) model can consist of reflective and formative measurements (Hair *et al*., 2014a). The formative measurement model is based on the assumption that the measurement causes the construct. In contrast, in the reflective measurement model, measures represent the manifestations of a construct (Hair *et al*., 2014a). In this study, the outer model is solely based on a reflective measurement model.

4.9.2.2 Multicollinearity, *R*-squared values and path coefficient estimation

The main objective of the assessment of the structural model is to estimate the strength and significance of the path coefficients to confirm or reject the hypotheses (Chin, 1998; Langenhoven, 2015). The evaluation involves testing for multicollinearity, evaluating *R*-squared values and estimating the path coefficients (Hair *et al*., 2014a). Multicollinearity could arise when several constructs are correlated (Hair *et al*., 2014a). High multicollinearity among constructs can impact the estimation and statistical significance of the path coefficients (ibid).

To determine whether multicollinearity exists in the applied structural model, the variance inflation factor (VIF) metric was determined for each predictor variable (Chin, 1998). This measure indicates the degree to which the variance in the estimated regression coefficients is inflated due to the presence of collinearity, as compared to when the predictor variables are not linearly related (Götz, Liehr-Gobbers & Krafft, 2010). High VIF values result in unstable coefficients with large standard errors and wide confidence intervals (Fox, 1997). Therefore, a VIF value of 10 is generally considered the maximum level of VIF (Götz *et al*., 2010). Other authors argue that a VIF value of 5 or more should be considered critical (Hair *et al*., 2014a). In such instances, highly correlated predictors should be removed from the model.

The key measure to assess the predictive accuracy of the structural model is the coefficient of determination (R^2). This value provides an indication of the amount of variance in the endogenous variables (the variables that are influenced by other variables) which is explained by the exogenous latent variables (the variables that are not influenced by other variables) in the model (Hair *et al*., 2014a). The coefficient of determination is calculated by squaring the correlation between a specific endogenous construct's actual and predicted values. The R^2-values range between 0 and 1, where higher values indicate higher levels of predicting accuracy (ibid). Chin (1998) remarked that *R*-squared values of 0.67, 0.33 and 0.19 are, respectively, regarded as substantial, moderate and weak. Hair *et al*. (2014a) deemed an *R*-squared value of 0.75 as substantial, a value of 0.50 as moderate and a value of 0.25 as weak. However, Hair, Ringle and Sarstedt (2011) added that, as these values are only suggestive, an *R*-squared value of 0.20 might be considered satisfactory in the consumer behaviour context.

After considering collinearity and the prediction accuracy of the model, the path coefficients (estimates for the structural model relationships) should be assessed. The individual path coefficients can be interpreted just as the standardised beta coefficients of OLS regressions having values between -1 and +1 (Henseler, Ringle & Sinkovics, 2009). An estimated path coefficient with a positive value close to one represents a strong positive relationship (vice versa for a value close to negative 1). Path coefficients with values close to 0 indicate weak relationships. The significance of the coefficient can be determined by considering the standard error (Davison, Hinkley & Young, 2003; Tenenhaus *et al*., 2005).

In the case of this study, standard errors were obtained through the nonparametric bootstrapping procedure. This procedure entails taking large sub-samples from the original sample, each of which is obtained by random sampling with replacement, to provide bootstrap standard errors, which enable the execution of a Student's t-test (Wong, 2013). This procedure provides confidence intervals for all the path coefficient estimates and indicates their level of significance (Tenenhaus *et al*., 2005). When applying this method, if a confidence interval for an estimated path coefficient includes zero, the coefficient is not significant. Alternatively, if the confidence interval for the path coefficient does not include zero, a significant effect can be assumed (ibid).

4.9.2.3 Moderating and mediating effects

It should be noted that the structural model can contain moderating and mediating effects (Hair *et al*., 2014a). Moderation occurs when an independent construct changes the strength or the direction of a relationship between two constructs in a model (Hair, Black, Babin & Anderson, 2006). A mediation effect occurs when a third construct "explain" why a relationship between two constructs exists (Hair *et al*., 2014a). The proposed structural model for this study comprised of two hypothesised mediating variables, namely corporate expertise and corporate values. Within the model (refer to Appendix A), corporate expertise and values mediate the relationship between CSR practices and investment intention, as well as between CSR familiarity and investment intention. These relationships are based on the argument that corporate identity serves as a bridge between CSR practices or CSR familiarity and investment intention (Arikan *et al*., 2016).

The Sobel test is usually conducted to test for mediation (Sobel, 1982; Helm, Eggert & Garnefeld, 2010). However, as the test is criticised for lacking statistical power and requiring unstandardised path coefficients (Hair *et al*., 2014a), the test was not used in the current study. The process described by Preacher and Hayes (2004) was rather followed to test mediating effects. This process was chosen as it makes no assumptions regarding the shape of the distribution and is, therefore, suited for PLS-SEM (Hair *et al*., 2014a). In addition, the process has higher levels of statistical power than the Sobel test (ibid).

The Preacher and Hayes (2004) process starts by assessing whether the direct effect in the PLS path model is significant. For the purpose of this study, this part of the process entailed the discussed bootstrapping procedure. It should be noted that the assessment of the direct effect is not necessary to test for mediation (Zhao, Lynch & Chen, 2010). In the case of this study, the model does not provide for a direct effect between CSR practices and investment intention. Hair *et al*. (2014a) explained that this step eases the interpretation of the mediating analysis. If the direct effect is significant, the significance of the indirect effect through the mediator should be examined next (Preacher & Hayes, 2004). If this relationship is also significant, the mediator arguably absorbs some of the effect or the entire effect. The significance of each individual path should also be taken into account (Preacher & Hayes, 2004).

Variance accounted for (VAF) values were calculated to examine to what extent the applicable constructs were explained by the indirect relationship via the mediator variable. If the direct effect is high and declines only very slightly after the mediator variable with a significant but very small indirect effect is included, the VAF value will be low. A low VAF value (less than 20%) indicates no mediation (Hair *et al*., 2014a). A VAF value between 20 per cent and 80 per cent indicates partial mediation (ibid). In contrast, a high VAF value (larger than 80%) indicates that there is full mediation (ibid).

4.10 VALIDITY AND RELIABILITY CONSIDERATIONS

The ability to test the quality of research is essential for the research to be regarded as credible (Wilson, 2014). The main considerations that impact research quality are validity and reliability (Henseler *et al*., 2009).

4.10.1 Validity

Validity refers to the accuracy of a measure or the extent to which a score truthfully represents a construct (Carmines & Zeller, 1979; Zikmund *et al*., 2013). Cook and Campbell (1984) distinguished between three types of validity, namely internal, external and construct validity. Internal validity refers to the accuracy of inferences about causal relationships between constructs (Parker, 1990; Bouckenooghe, De Clercq, Willem & Buelens, 2007). It could be argued that high internal validity provides evidence that there is a “true causal relationship” between the constructs under investigation (Cook & Campbell, 1984). Some researchers questioned whether true causation in single experiments in social sciences are possible (Kruglanski & Kroy, 1976; Cronbach & Shapiro, 1982). Newman and Benz (1998) recommended that internal validity can be increased by holding as many factors as possible constant. Only one researcher should preferably apply the measurement instrument (Newman & Benz, 1998). For the current study, a single researcher applied the measurement.

When conducting survey-based research, external validity is very important (De Vaus, 2002). External validity refers to the degree that the findings can be generalised across different populations, subjects or time periods (Bouckenooghe *et al*., 2007; Onwuegbuzie & Leech, 2007). This type of validity, hence, relates to the applicability of the findings “to the real world” (Onwuegbuzie & Leech, 2007). Miles and Huberman (1994) cautioned that researchers should only attempt to generalise findings across different populations if a relatively large, representative sample was considered. For the current study, the findings are only generalisable for students who studied at Stellenbosch University during the second semester of 2019. The “real world” applicability of the findings will become evident in Chapters 6 and 7.

Construct validity pertains to whether the studied variables have been properly defined and measured by using appropriate measurement instruments (Cook & Campbell, 1984). De Vaus (2002) added that construct validity determines how well the measurement corresponds with theoretical expectations. A construct refers to theoretical concepts which are measured with multiple variables (Zikmund *et al*., 2013). Lincoln and Guba (1985) emphasised the importance of focusing extensively on properly identified constructs to decrease threats to construct validity. For the purpose of the current study, the constructs were clearly defined in Chapters 2 and 3. The construct validity of the measurement model was furthermore assessed by considering convergent and discriminant validity.

Convergent validity refers to the extent to which a set of measures of the same underlying construct correlates positively with one another (Campbell & Fiske, 1959). If the indicators (measures) of a construct have high variance, convergent validity is evident (Hair *et al*., 2014a). The AVE measure can be used to determine convergent validity (Fornell & Larcker, 1981). This measure reflects the average percentage of variation captured by the measurement items in a construct (Götz *et al*., 2010). The AVE was calculated for every construct in this study by following the process suggested by Hair *et al*. (2014a): The squared loadings of the indicators associated with the construct were summed and then divided by the number of measures. Pertaining to the interpretation of AVE values, Fornell and Larker (1981) stated that an AVE value that exceeds 0.5 represents strong convergent validity, meaning that the construct explains more than half of its indicators' variance.

Discriminant validity is the degree to which a construct differs from other constructs (Campbell & Fiske, 1959). This type of validity is achieved when the shared variance between the construct and its associated indicators is larger than the variance shared with other constructs in the model (Hulland, 1999). Discriminant validity was examined in this study by determining the HTMT ratio of correlations. This method accounts for the average of the correlations of the indicators across constructs measuring different phenomena, relative to the average of the correlations of the indicators within the same construct (Henseler, Ringle & Sarstedt, 2015). A HTMT ratio of less than 0.9 indicates discriminant validity (Gold, Malhotra & Segars, 2001).

4.10.2 Reliability

Reliability concerns the extent to which the measurement of a construct provides stable and consistent results (Zikmund *et al*., 2013). In the context of survey research, De Vaus (2002) remarked that reliability could be impaired if questions are not cautiously worded or if coding errors occur. Reliability can be increased when multiple-item indicators, such as a Likert scale and well-tested questions from reputable questionnaires, are used (De Vaus, 2002). Reliability and validity of rating scale questions are higher than yes/no type of questions (Ebel, 1982; Saris & Krosnick, 2000). For the current study, a five-point Likert scale was used to measure questions relating to the considered constructs (corporate identity, CSR attitude, CSR practices, investment intention, and CSR familiarity). A well-tested existing questionnaire, applied by David *et al*. (2005), was amended and used to collect this study's data.

The internal consistency reliability for the reflective measurement model was evaluated by considering Cronbach's alpha values for the different measurements. Cronbach's alpha estimates reliability based on the indicated inter-correlations of the variables (Cronbach, 1951). The corporate identity scale that was used in this study was developed by David *et* *al*. (2005). They reported acceptable Cronbach's alpha scores for their corporate identity measure. David *et al*. (2005) developed the scale by integrating Newell and Goldsmith's (1997) credibility measure and Sen and Bhattacharya's (2001) consumer congruence measure. Newell and Goldsmith (1997) reported that their corporate credibility scale is a valid and reliable measure. Sen and Bhattacharya (2001) explained that the adjectives that are included in their consumer congruence measure were selected through a pre-test on the basis that they are applicable to both individuals and organisations.

Cronbach's alpha values were calculated for each measurement in the amended model that was considered in this study. In addition, the CR was determined for the constructs in the path model. The CR measure acknowledges that indicator variables (items that measure the construct) are not equally reliable (have different loadings) (Hair *et al*., 2011). For both Cronbach's alpha and CR, a value between 0.7 and 0.9 is regarded as satisfactory (Nunnally & Bernstein, 1994; Tabachnick & Fidell, 2013). The applicable values for this study are reported in Chapter 6.

4.11 ETHICAL CONSIDERATIONS

It is essential to account for ethical considerations when conducting research, especially the human rights of participants in fieldwork (Alsmadi, 2008). Coolican (1992) emphasised that issues such as voluntary participation, anonymity, confidentiality, privacy and informed consent are very important in social sciences research involving human participants. Care should be taken not to harm participants as a result of their participation in a research study (Alsmadi, 2008).

As surveys invade respondents' privacy and take up their time (De Vaus, 2002), voluntary participation is one of the most important ethical principles in research (Collis & Hussey, 2009). Both consent forms clearly indicated that participation in the current study is voluntary and that no individuals would be negatively affected in any way if they decline to participate in the study.

Informed consent refers to whether a respondent is knowledgeable enough about the nature of the study and the implications of his/her participation in the survey (De Vaus, 2002;

Alsmadi, 2008). The purpose of the current study, the nature of the questions to be answered, a statement that participation is voluntary, an offer to answer any questions that respondents may have, and the benefits of participating in the research were specified in the consent forms. Refer to Appendices B and D for perusal of the consent forms for the paper-based and electronic questionnaires, respectively.

Collis and Hussey (2009) explained that anonymity contributes to a higher response rate and increased honesty. Participation in the study was completely anonymous. The respondents' answers could not be linked to their identity or email addresses. The study was classified as a low-risk study, because the only foreseeable risk was that some respondents might experience discomfort. The study was not based on a controversial or sensitive topic and no sensitive questions were included in the questionnaire.

The researcher applied online for ethical clearance at the Departmental Ethics Screening Committee (DESC) as well as the REC of Stellenbosch University (REC-2019-9950). After DESC and REC clearance were obtained, the researcher applied for institutional permission (IRPSD-1581) that enabled her to distribute the online questionnaire to Stellenbosch University students.

The collected data were securely stored on two password-protected flash drives. Only the researcher and the supervisors had the password. The data will be stored until the study is completed and related publication(s) have been finalised. Thereafter, the raw data will be deleted.

4.12 SUMMARY

In this chapter, the research design and methodology that were used to assess the role that perception of corporate identity and CSR practices play in the investment intention of potential individual investors were discussed. Before discussing the research methodology employed, the problem definition, research objectives and hypotheses were first stated.

Once the objectives were clearly identified, this chapter proceeded to focus on the different components of the adopted methodology. For the study, secondary research was conducted to evaluate existing literature on the topics of corporate identity, CSR and investment factors.

Primary data were collected by means of paper-based and online questionnaires that were distributed to students studying at Stellenbosch University during the second semester of 2019. The descriptive and inferential data analyses were explained. Lastly, reliability, validity and ethical considerations regarding the study were addressed. In the next chapter, the descriptive results are presented.

CHAPTER 5

RESULTS: DESCRIPTIVE STATISTICS

5.1 INTRODUCTION

The previous chapter contains a discussion of the research design and methodology that were employed to assess the role that perception of corporate identity and CSR practices play in the investment intention of potential individual investors. The final step in the research process is to report the results of the study after descriptive and inferential analyses were performed (Cant *et al*., 2009). Descriptive analysis entails the transformation of raw data to summarise, describe and display quantitative data (Collis & Hussey, 2009; Zikmund *et al*., 2013). For the purposes of the current study, primary data were collected through the distribution of an online questionnaire. The descriptive findings are presented in this chapter.

Details on the questionnaire's response rate and the demographic profile of the respondents are reported in Sections 5.2 and 5.3. Thereafter, the descriptive statistics for the variables that were used to estimate brand familiarity, corporate identity, attitude towards CSR practices, CSR familiarity and investment intention are discussed (Section 5.4).

5.2 RESPONSE RATE

In order to determine how representative the realised sample is of the target population the response rate should be considered. The response rate has been calculated by dividing the number of completed questionnaires by the number of eligible respondents who were requested to complete the questionnaire (De Vaus, 2002; Zikmund *et al*., 2013). Failure to collect a sufficient number of responses could have a negative impact on the precision and quality of the results (Zikmund *et al*., 2013).

An invitation to complete the online questionnaire was emailed to all students (30 563 individuals) enrolled at Stellenbosch University during the second semester of 2019. In response to this invitation, 1 649 usable questionnaires were received, representing a response rate of 5.40 per cent. Other authors who have conducted studies among students at large, public institutions by means of online questionnaires (Porter & Umbach; 2006; Stallman, 2010; Bauman & Baldasare, 2015; Schreiber & Yu, 2016) also had relatively low response rates. Fosnacht, Sarraf, Howe and Peck (2017) reported that surveys conducted among college students are reliable under low response rate conditions (between 5 and 10%) if the sampling frame included at least 500 students. They also found that reliability is more strongly related to overall sample size than response rate (Fosnacht *et al*., 2017).

5.3 DEMOGRAPHIC PROFILE

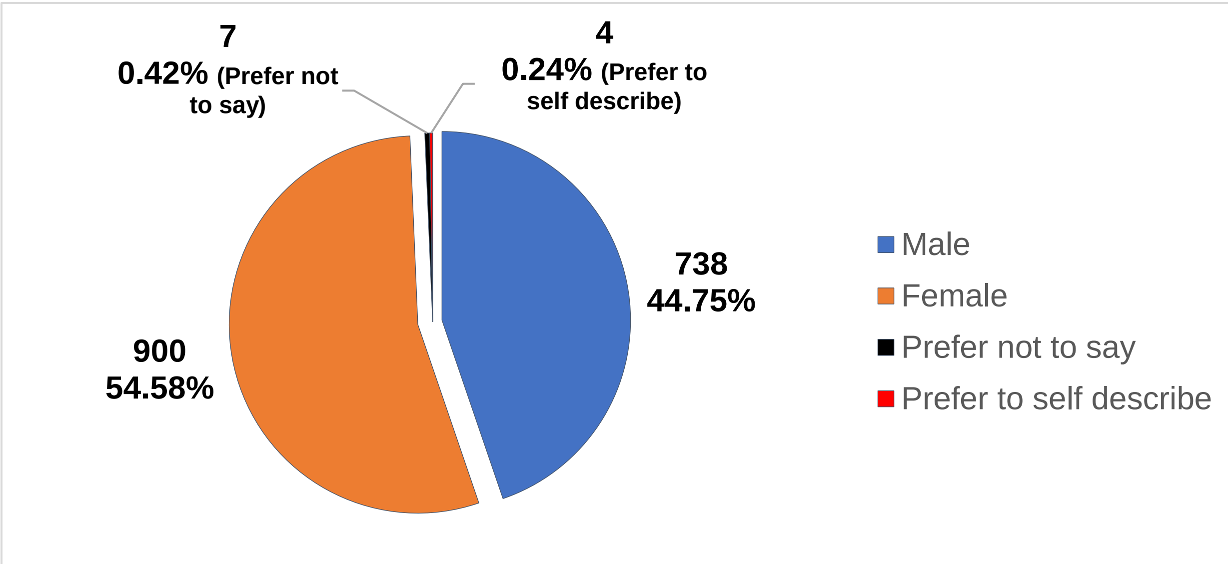
The next step to assess whether the realised sample is representative of the target population, is to compile a demographic profile. Reporting on demographic characteristics enables a researcher to determine whether the survey respondents are representative of the target population (Kelley *et al*., 2003). For the purpose of this study, the demographic profile of the sample was based on information regarding respondents' gender, age, level of study and field of study, as obtained from their completed online questionnaires.

To determine whether the sample was representative of the population, descriptive statistics were computed for each of the demographic variables. These statistics were then compared with the corresponding student profile statistics as reported by Stellenbosch University (2018). Since the 2019 student profile statistics were not available at the time when the demographic profile was compiled, information on the student profiles as reported at the end of the 2018 academic year was considered.

5.3.1 Gender

The gender distribution of the respondents was evaluated to determine whether the sample was representative of the population. The gender options that were provided in the online questionnaire consisted of male, female, prefer not to say and prefer to self-describe, in line with the guidelines offered in this regard by Stellenbosch University. Figure 5.1 reflects the gender composition of the sample.

Figure 5.1: Gender composition of the sample

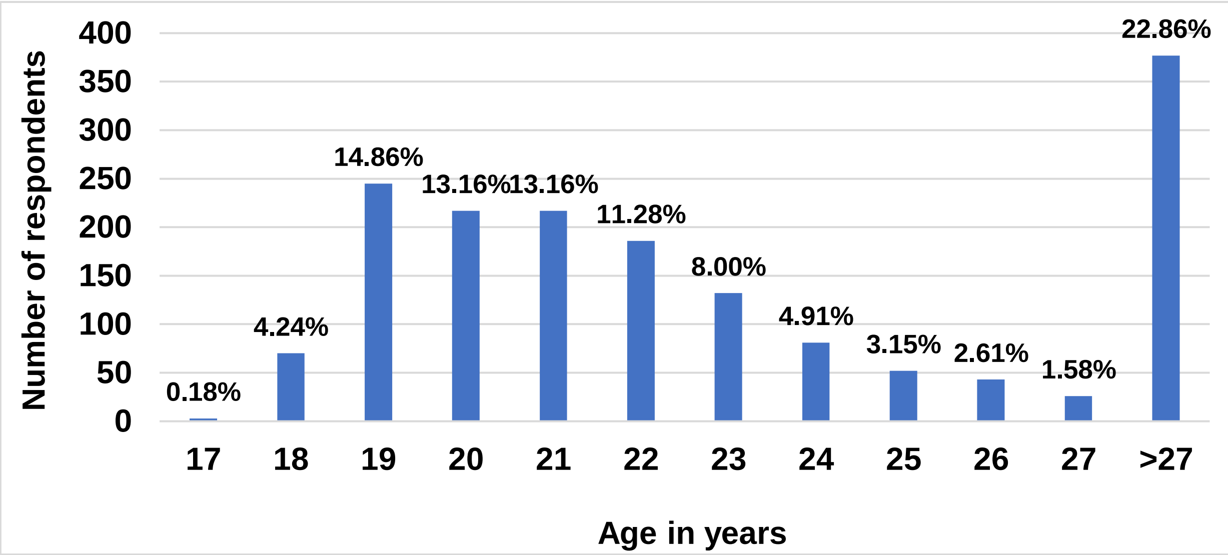


As shown in Figure 5.1, the majority of the respondents were female. Seven respondents preferred not to indicate their gender, while four respondents preferred to self-describe their gender. This breakdown corresponded closely with the Stellenbosch University (2018) student profile, which indicated that 55 per cent of the students were female and 45 per cent were male. As the sample had a similar gender distribution than the population, the results could be generalised to the target population.

5.3.2 Age

Individual age categories from 17 to 27 were used. A separate category was provided for individuals aged >27 years. This break-down was selected since most university students are between these ages (Stellenbosch University, 2018; OECD, 2019b). The sample's age composition is shown in Figure 5.2.

Figure 5.2: Age composition of the sample

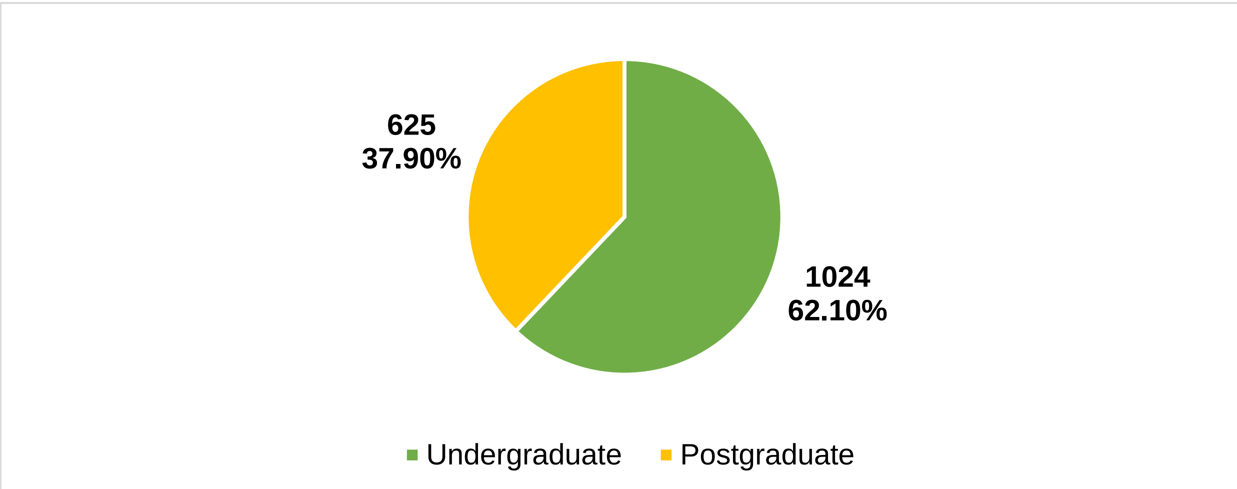


The majority of the respondents were between 17 and 22 years old, constituting 57.08 per cent of the sample. Students between the ages 17 to 22 represent the largest group of undergraduate students at Stellenbosch University (2018). Postgraduate students were also included in the study, resulting in more than a fifth of the sample being older than 27 years. This high percentage can possibly be explained by arguing that most of the postgraduate students that took part in the study are older than 27 years. More details are provided on undergraduate and postgraduate students in the next section.

5.3.3 Level of study

The level of study refers to whether a student is enrolled in an undergraduate or postgraduate programme at Stellenbosch University, as indicated in Figure 5.3.

Figure 5.3: Respondents' study level

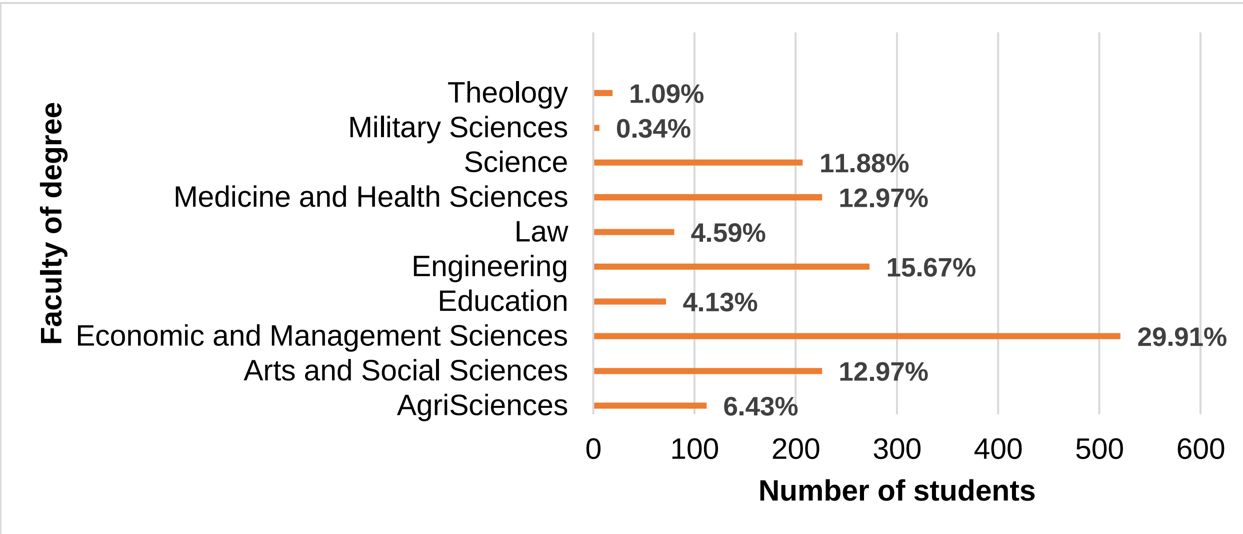


Perusal of Figure 5.3 reveals that around two thirds of the respondents were enrolled in undergraduate programmes. When considering the student profile of Stellenbosch University (2018), 65 per cent of students were undergraduate. Although slightly more postgraduate students took part in the study (37.9%) than the student profile of Stellenbosch University (2018) suggests (35%), the distribution of undergraduate and postgraduate students is still considered representative of the target population.

5.3.4 Faculty of degree

There are ten faculties from which students can obtain their degree at Stellenbosch University (2018), namely AgriSciences, Arts and Social Sciences, Education, Engineering, Economic and Management Sciences, Law, Medicine and Health Sciences, Science, Military Sciences and Theology. The university allows students to study at more than one faculty simultaneously, up to a maximum of three faculties. Since students from different disciplines may exhibit different behaviour in terms of the concepts investigated in this study, the sample should ideally be spread across all the faculties. Figure 5.4 provides the distribution of respondents' faculty of degree.

Figure 5.4: Faculty of degree composition of the sample



As shown in Figure 5.4, respondents were spread across all the faculties at Stellenbosch University. The majority of the respondents formed part of the faculty of Economic and Management Sciences. This faculty is the largest faculty at Stellenbosch University, comprising 28.10 per cent of all students enrolled in 2018 (Stellenbosch University, 2018).

Other prominent faculties where respondents were enrolled include Engineering (15.67%), Arts and Social Sciences (12.97%), and Medicine and Health Sciences (12.97%). In terms of the university's student numbers for 2018, Engineering accounted for 13.35 per cent, Medicine and Health Sciences for 14.44 per cent, and Arts and Social Sciences for 15.70 per cent of the total number of registered students (Stellenbosch University, 2018). The minority faculties at Stellenbosch University comprise of Theology, Military Sciences and Law (ibid). This classification is also evident in the distribution indicated in Figure 5.4. The descriptive findings are provided next.

5.4 DESCRIPTIVE STATISTICS FOR MAIN VARIABLES

In this section, descriptive findings are presented for brand familiarity, corporate identity, attitude towards CSR practices, Nedbank's CSR practices, CSR familiarity and investment intention. These variables form part of the adopted model that was employed (refer to

Appendix A). An average score was determined based on the responses, as indicated on a five-point Likert scale for each of the concepts.

5.4.1 Brand familiarity

To measure the degree of brand familiarity, respondents were asked how familiar they were with the company considered in the current study, namely Nedbank. Table 5.1 shows the number of respondents that chose each of the respective ratings.

Table 5.1: Familiarity with Nedbank

NEDBANK	**1** **Not at all familiar**	**2** **Somewhat familiar**	**3** **Neutral**	**4** **Familiar**	**5** **Very familiar**	**Mean**	**Median**
Familiarity	54	109	348	483	655	3.96	4.00

As seen in Table 5.1, the majority of the respondents chose the "familiar" and "very familiar" Likert scale options. Based on the mean and median values, respondents should have been able to express an informed opinion when confronted by the company-related questions included in the remainder of the questionnaire.

5.4.2 Corporate identity

The next item reflected in the model (refer to Appendix A) is corporate identity. This construct consists of two dimensions, namely corporate expertise and corporate values (David *et al*., 2005). Each of these dimensions were evaluated by presenting respondents with four company traits based on David *et al*.'s (2005) amended questionnaire.

5.4.2.1 Corporate expertise

The four traits shown in Table 5.2 were used to measure the respondents' perception of Nedbank's corporate expertise.

Table 5.2: Perception of corporate expertise

Corporate expertise traits	1 Does not describe the company	2 Somewhat describes the company	3 Neutral	4 Describes the company	5 Accurately describes the company	Average score
Expert in products and services delivered	44	82	608	684	231	3.59
Innovative	59	195	691	532	172	3.34
Have skilled employees	22	101	642	627	257	3.60
Experienced in the banking sector	7	33	254	575	780	4.27

Table 5.2 indicates that 41.48 (231/1 649) per cent of the respondents considered Nedbank as an expert based on the products and services that it delivers. Furthermore, 46.04 (780/1 649) per cent of the respondents viewed Nedbank as "very experienced" in the banking sector. However, most of the respondents indicated that their perception pertaining to whether Nedbank is innovative and have skilled employees was "neutral".

The highest average score was allocated for the "experience in the banking sector" trait, while the innovative trait obtained the lowest average score. All the average scores for the traits were higher than three, indicating that the respondents were of the view that each trait at least described the company "to some extent". After analysing the average score of each corporate expertise trait, an overall average corporate expertise score was calculated. Table 5.3 contains these descriptive results.

Table 5.3: Descriptive statistics for corporate expertise

Measurement	Value
Median	3.75
Mean	3.70
Standard deviation	0.66
25th percentile	3.25
75th percentile	4.25

As shown in Table 5.3, the median score is slightly larger than the mean score computed for corporate expertise. Both these perceptual scores are higher than three, reflecting that the respondents were of the view that the four traits (expert, innovative, skilled and experienced) describe the company. The relatively small standard deviation supports this finding, by indicating that most of the data points are close to the mean. Figure 5.5 graphically displays the skewness of the corporate expertise distribution for the computed combined corporate expertise score.

Figure 5.5: Distribution of corporate expertise

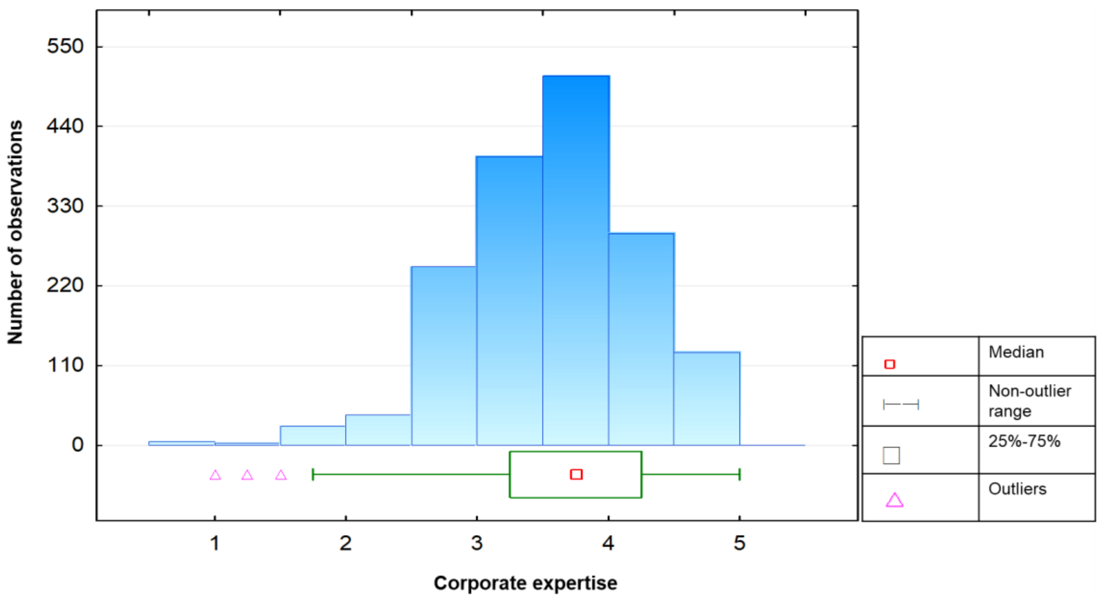


Figure 5.5 shows that, as the median is slightly larger than the mean, the data are skewed to the left. There were a limited number of outlier values (far left side of the mean), supporting the notion that very few respondents indicated that the corporate expertise traits did not describe the considered company.

5.4.2.2 Corporate values

Table 5.4 provides details on the number of respondents that selected each of the Likert scale options for the indicated four traits that were used to measure their perception of Nedbank's corporate values.

Table 5.4: Perception of corporate values

Corporate values traits	1 Does not describe the company	2 Somewhat describes the company	3 Neutral	4 Describes the company	5 Accurately describes the company	Average score
Activist for social change	95	284	804	345	121	3.07
Compassionate by contributing to the well-being of the community	58	222	801	407	161	3.24
Sincere in caring for stakeholders	41	144	868	466	130	3.30
Trustworthy	23	83	512	701	330	3.75

Most respondents chose the "neutral" option regarding the activist, compassionate and sincere traits. In contrast, the majority of the respondents perceived Nedbank to be trustworthy, as reflected by the average score of 3.75. The lowest average score was allocated for the 'activist for social change' trait. However, all the average scores for the traits are higher than three, indicating that the respondents perceived each trait to describe Nedbank at least to "some extent". After analysing the average score of each corporate values trait, an overall corporate values score was calculated. Table 5.5 contains the descriptive results for this computed score.

Table 5.5: Descriptive statistics for corporate values

Measurement	Value
Median	3.25
Mean	3.34
Standard deviation	0.70
25th percentile	3.00
75th percentile	3.75

As indicated in Table 5.5, the median score is slightly smaller than the average score. Both these perceptual scores are higher than three, reflecting that the four traits (activist, compassionate, sincere, trustworthy) describe the company. The standard deviation confirms that most of the data points are close to the mean. Figure 5.6 graphically displays the skewness of the corporate values distribution for the computed combined score.

Figure 5.6: Distribution of corporate values

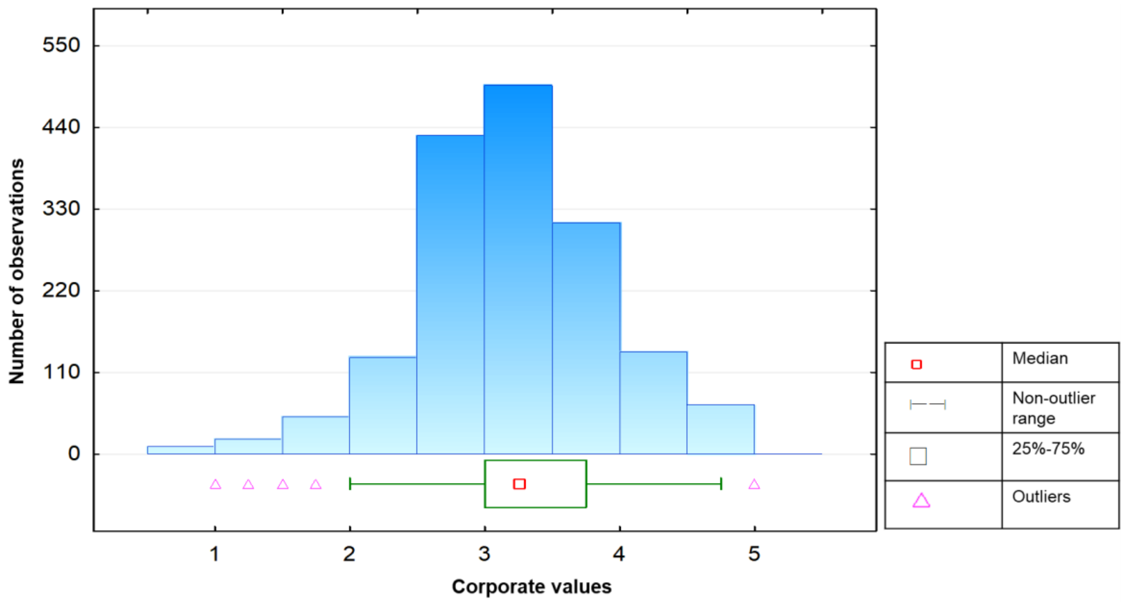


Figure 5.6 shows that, as the mean is slightly larger than the median, the data are skewed to the right. There were a limited number of outliers (far left and right side of the mean), showing that very few respondents indicated that the corporate expertise traits did not describe Nedbank.

The mean score for corporate values (Table 5.5) are smaller than the mean score for corporate expertise (Table 5.3). Respondents, hence, seemed to consider Nedbank as having a better reputation regarding corporate expertise than corporate values. Respondents might have been less informed regarding the company's corporate values than corporate expertise. The respondents could also have had little experience with these 'softer' company traits. An overall average score (3.52) was computed for the corporate identity concept, showing that the respondents had a positive perception of Nedbank's corporate identity.

5.4.3 Attitude towards corporate social responsibility practices

CSR practices is another concept that forms part of the model (refer to Appendix A). Respondents' attitudes towards CSR practices were assessed to determine whether they value social responsibility concerns. Respondents were presented with 13 CSR practices (shown in Table 5.6) and requested to rate the perceived importance of each practice.

Table 5.6: Respondents' attitude towards CSR practices

CSR practices	1 Not at all important	2 Somewhat important	3 Neutral	4 Important	5 Very important	Average score
Contribute to the community (1)	22	75	221	664	667	4.14
Allow time for staff to do volunteer work (2)	28	156	429	642	394	3.74
Do not produce harmful products or services (3)	8	45	117	316	1 163	4.57
Respect human rights (4)	9	24	91	236	1 289	4.68
Provide equal compensation (5)	7	37	145	322	1 138	4.54
Stand against discrimination (6)	12	50	126	230	1 231	4.59
Provide a healthy work environment (7)	5	25	107	332	1 180	4.61
Address climate change (8)	41	79	310	512	707	4.07
Report on environmental impact (9)	25	81	259	566	718	4.13
Act in an environmentally friendly manner (10)	15	39	148	488	959	4.42
Have a diverse board of directors (11)	81	116	360	450	642	3.88
Have healthy relationships with stakeholders (12)	15	50	251	587	746	4.21
Do not engage in unethical practices (13)	11	35	95	161	1 347	4.70

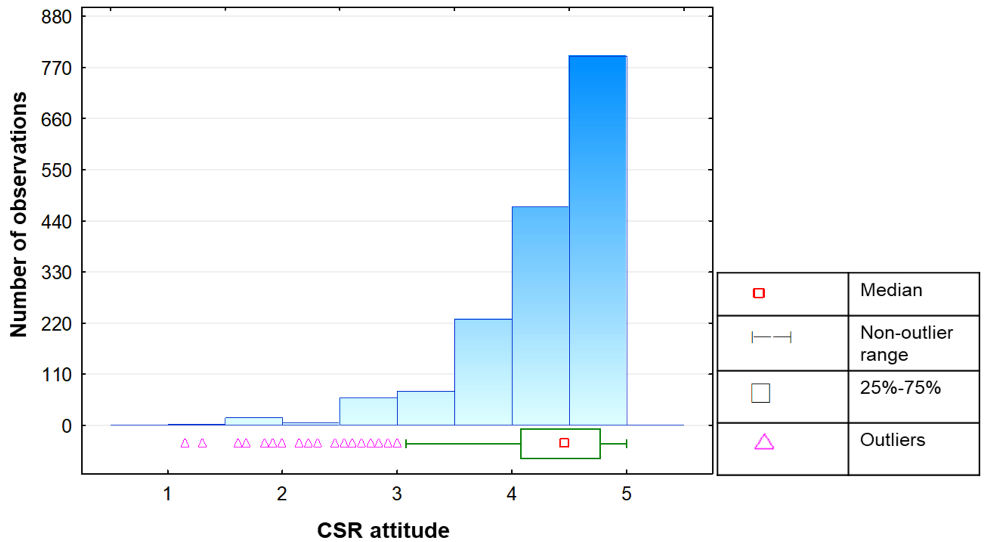
Table 5.6 reflects that 1 347 of the 1 649 respondents (81.69%) deemed it very important that a business should "not engage in unethical practices". The majority of respondents also regarded CSR practices 3, 4 and 6 "very important". The average scores for all the CSR practices are higher than 3.50, signifying that the respondents deemed CSR practices important. Only two CSR practices (2 and 11) had average scores below 4.00. The descriptive statistics for attitude towards CSR practices are provided in Table 5.7.

Table 5.7: Descriptive statistics for attitude towards CSR practices

Measurement	Value
Median	4.46
Mean	4.32
Standard deviation	0.60
25th percentile	4.08
75th percentile	4.77

The average calculated overall CSR practices attitude score (4.32), as indicated in Table 5.7, shows that respondents exhibited a favourable attitude towards CSR practices. This result is supported by the small standard deviation. The 25th percentile and the 75th percentile is larger than 4.00, indicating that very few respondents did not have a favourable attitude towards CSR practices. It should be noted that social desirability bias (as explained in Section 4.8.4) could have played a role in the high average score, since the respondents may have wanted to answer questions regarding social responsibility concerns in a way that would be viewed favourably by society. Figure 5.7 graphically displays the skewness of the distribution of the respondents' attitude towards CSR practices.

Figure 5.7: Distribution of attitude towards CSR practices



The mean value for CSR practices is somewhat smaller than the median, therefore the data are skewed to the left (Figure 5.7). The outlier values are situated on the far left of the mean, indicating that the respondents that portrayed an unfavourable attitude toward CSR practices, were in the minority.

5.4.4 Nedbank's corporate social responsibility practices

After the respondents' attitude regarding CSR practices in general were evaluated (Section 5.4.3), details will now be provided on the respondents' perception of Nedbank's performance pertaining to the identified CSR practices (Table 5.8).

Table 5.8: Perception of Nedbank's CSR practices

CSR practices	1 Performs very poorly	2 Performs poorly	3 Neutral	4 Performs well	5 Performs very well	Average score
Contribute to the community (1)	19	95	788	597	150	3.46
Allow time for staff to do volunteer work (2)	60	237	1032	259	61	3.01
Do not produce harmful products or services (3)	15	80	539	603	412	3.80
Respect human rights (4)	9	49	487	660	444	3.90
Provide equal compensation (5)	19	94	849	476	211	3.46
Stand against discrimination (6)	19	122	738	482	288	3.54
Provide a healthy work environment (7)	17	57	657	629	289	3.68
Address climate change (8)	143	331	824	244	107	2.90
Report on environmental impact (9)	128	308	773	316	124	3.00
Act in an environmentally friendly manner (10)	58	181	821	430	159	3.27
Have a diverse board of directors (11)	27	88	851	480	203	3.45
Have healthy relationships with stakeholders (12)	16	68	780	588	197	3.53
Do not engage in unethical practices (13)	25	80	729	507	308	3.60

Table 5.8 indicates that the majority of the respondents expressed a "neutral" view regarding Nedbank's performance related to most of the indicated CSR practices. It is evident that they were particularly concerned about Nedbank's ability to address climate change and report on their environmental impact. In contrast, 660 (40%) respondents felt that Nedbank respects human rights, while 629 (38.14%) respondents indicated that Nedbank provides a healthy work environment.

5.4.4.1 Discretionary corporate social responsibility practices

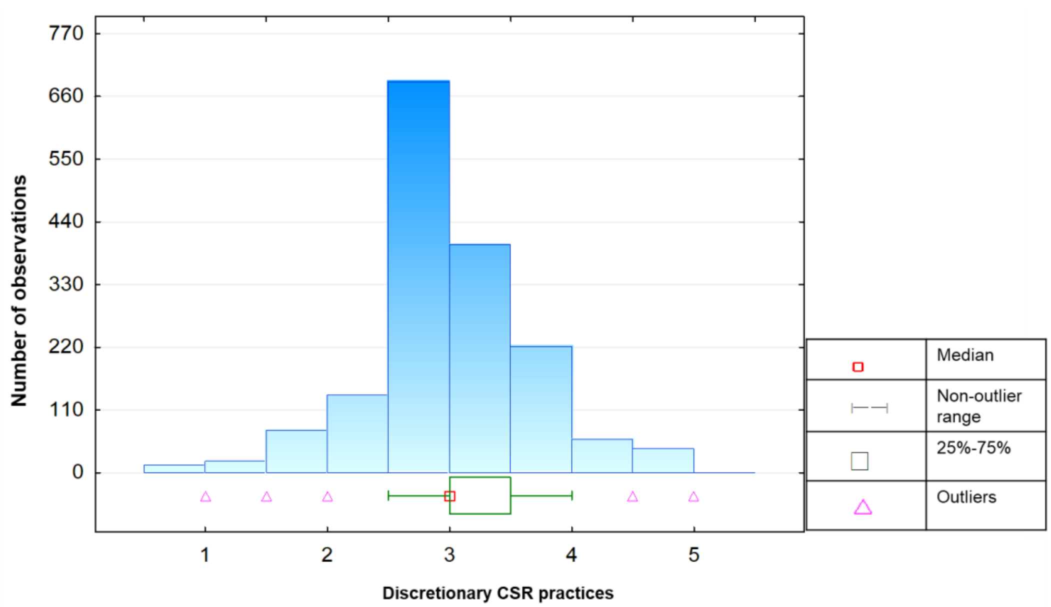
The considered CSR practices were divided into three categories, namely *discretionary*, *moral* and *relational* as explained in Section 3.2.4. Overall average scores were calculated for each category. Table 5.9 contains the descriptive statistics for *discretionary* CSR practices, which include CSR practices 1 and 2 as shown in Table 5.8.

Table 5.9: Descriptive statistics for Nedbank's discretionary CSR practices

Measurement	Value
Median	3.00
Mean	3.24
Standard deviation	0.67
25th percentile	3.00
75th percentile	3.50

As indicated in Table 5.9, the median and mean score is close to 3.00, indicating that most respondents felt that Nedbank exhibited average performance regarding their *discretionary* CSR practices. The small standard deviation of the data points supports the finding that respondents had similar views about Nedbank's *discretionary* CSR practices. Figure 5.8 represents the skewness of the distribution of Nedbank's *discretionary* CSR practices.

Figure 5.8: Distribution of Nedbank's discretionary CSR practices



As the mean value is slightly larger than the median, the data are skewed to the right (Figure 5.8). The outlier values on the far left and right side of the mean indicates that some respondents expressed the view that Nedbank performed either very poorly or very good regarding their volunteering responsibilities.

5.4.4.2 Moral corporate social responsibility practices

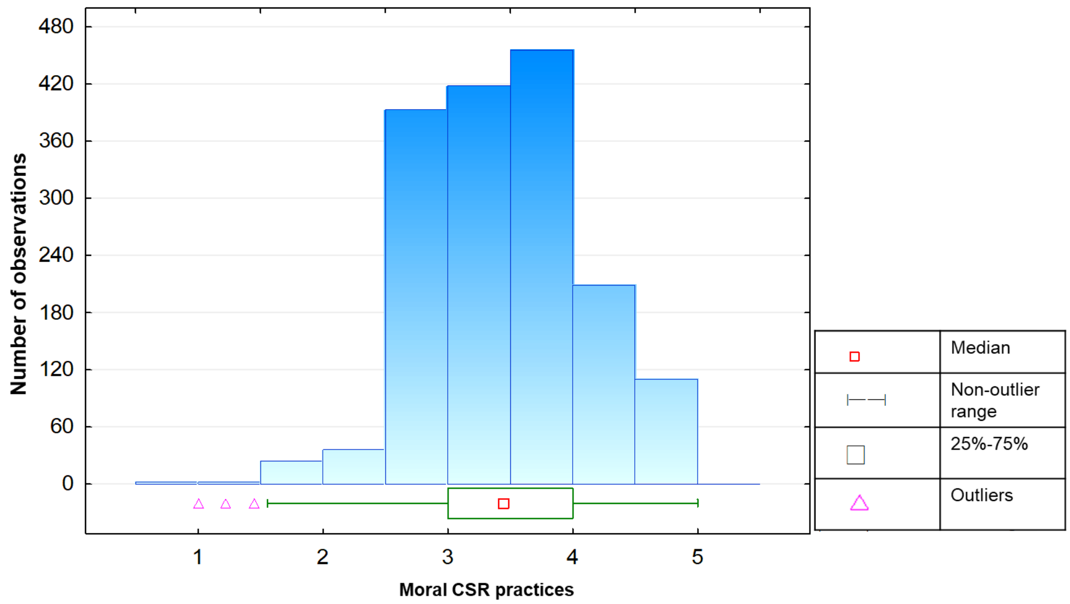
Details are now provided on Nedbank's *moral* CSR practices, which consist of practices 3 to 8, 10, 11 and 13 (refer to Table 5.8). Table 5.10 contains the descriptive statistics.

Table 5.10: Descriptive statistics for Nedbank's moral CSR practices

Measurement	Value
Median	3.44
Mean	3.51
Standard deviation	0.62
25th percentile	3.00
75th percentile	4.00

As shown in Table 5.10, the median score is slightly lower than the mean value. Both these perceptual scores are higher than three, reflecting that most of the respondents felt that Nedbank performed well regarding their moral and ethical responsibilities. The relatively small standard deviation supports this finding by indicating that the data were closely located around the mean. The skewness of Nedbank's *moral* CSR practices is displayed in Figure 5.9.

Figure 5.9: Distribution of Nedbank's moral CSR practices



As shown in Figure 5.9, the median score is lower than the mean, indicating that the data is skewed to the right. Outlier values can be observed on the far left of the mean, reflecting that few respondents felt that Nedbank performed poorly pertaining to their moral responsibilities. This result is in line with the finding that most respondents felt that Nedbank performed well in behaving in a morally acceptable manner (Table 5.10).

5.4.4.3 Relational corporate social responsibility practices

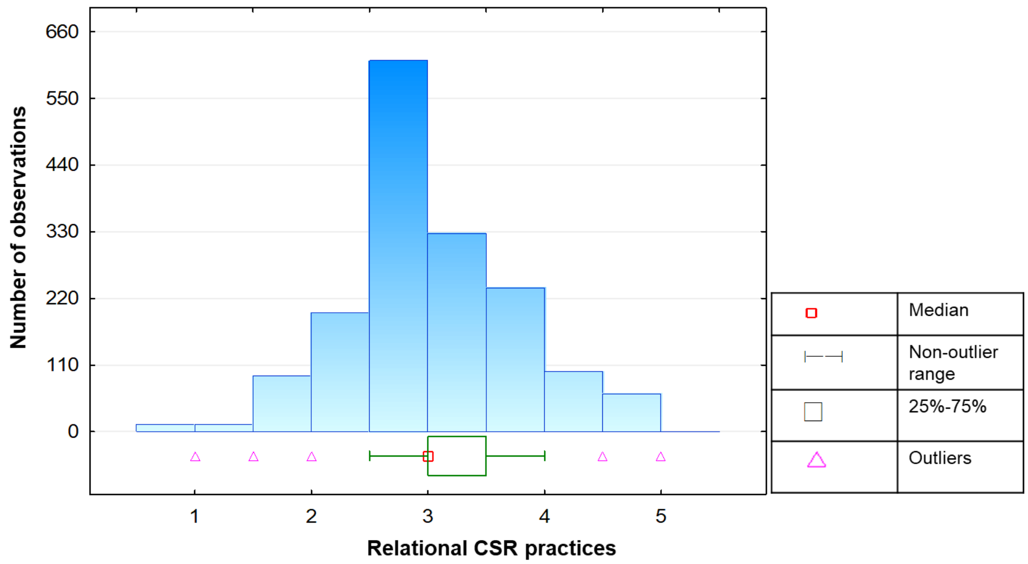
Nedbank's *relational* CSR practices include practice 9 and 12 (refer to Table 5.8). Table 5.11 contains the descriptive statistics for this category.

Table 5.11: Descriptive statistics for Nedbank's relational CSR practices

Measurement	Value
Median	3.00
Mean	3.27
Standard deviation	0.73
25^{th} percentile	3.00
75^{th} percentile	3.50

As indicated in Table 5.11, the median score is smaller than the mean score computed based on the respondents' perception of Nedbank's *relational* CSR practices. Both these scores indicate that the respondents felt that Nedbank had average performance pertaining to their relational responsibilities. Figure 5.10 graphically presents the skewness of Nedbank's *relational* CSR practices distribution.

Figure 5.10: Distribution of Nedbank's relational CSR practices



The data is slightly skewed to the right since the mean value is slightly greater than the median value. The outliers in Figure 5.10 show that some respondents felt that Nedbank performs very poorly or very well regarding their relational responsibilities. Overall, it is concluded that most respondents felt that Nedbank exhibited average performance regarding maintaining a healthy relationship with their stakeholders.

An average score of 3.43 (out of 5.00) was calculated for respondents' perception of all Nedbank's CSR practices. This overall average score indicates that the respondents were of the view that Nedbank performed well regarding most of the considered CSR practices.

5.4.5 Corporate social responsibility familiarity

The CSR familiarity concept was included in the model to determine its role in individuals' intention to invest in a company (refer to Appendix A). The respondents' degree of familiarity with Nedbank's CSR practices was measured by presenting respondents with the bank's actual CSR practices and asking them to rate their familiarity with each practice on a five-point Likert scale. Table 5.12 provides details on the number of respondents that selected each rating.

Table 5.12: Familiarity with Nedbank's CSR practices

NEDBANK CSR practices	1 Not at all familiar	2 Somewhat familiar	3 Neutral	4 Familiar	5 Very familiar	Average score
Back-to-school campaign	601	269	311	378	90	2.45
Investing in renewable energy	732	317	347	204	49	2.10
Investing in sustainable agriculture projects	627	277	320	303	122	2.40

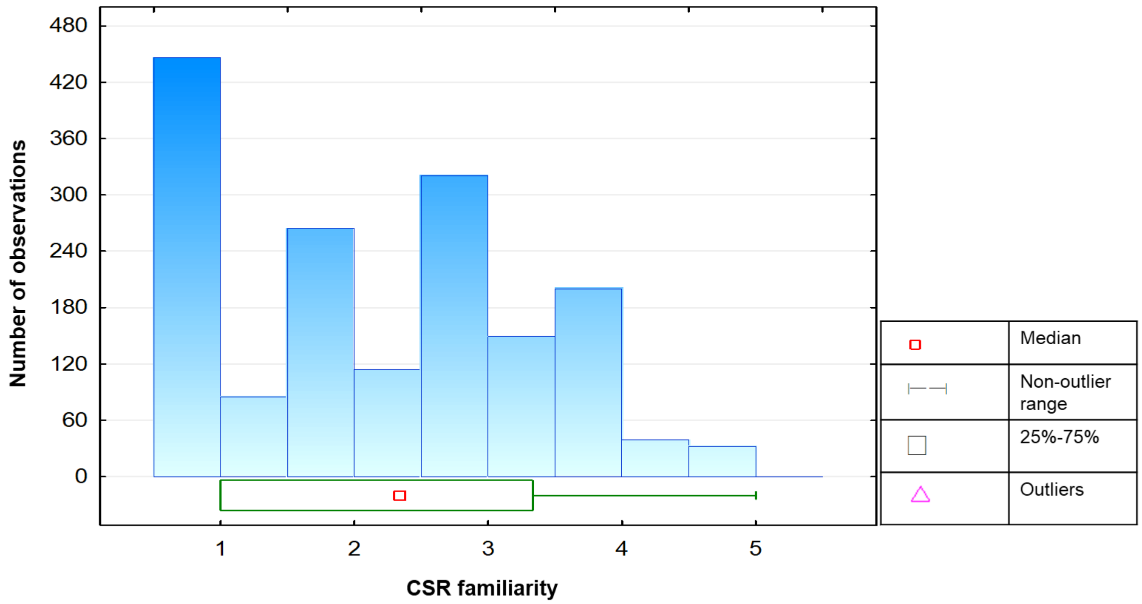
Table 5.12 shows that the majority of the respondents indicated that they were "not at all familiar" with these three initiatives. For instance, only 49 of the 1 649 respondents (3.00%) were "very familiar" with Nedbank's CSR initiative of investing in renewable energy, whereas 732 of the 1 649 respondents (44.39%) were "not at all familiar" with this initiative. The respondents were somewhat aware of Nedbank's Back-to-school campaign, which obtained the highest average score. After analysing the average familiarity score for each CSR practice, an overall CSR familiarity average score was calculated. Table 5.13 contains these descriptive results.

Table 5.13: Descriptive statistics for Nedbank's CSR familiarity

Measurement	Value
Median	2.33
Mean	2.32
Standard deviation	1.09
25th percentile	1.00
75th percentile	3.33

As shown in Table 5.13, the median and mean scores only differ slightly. Both these perceptual scores are lower than three, reflecting that the respondents were not familiar with Nedbank's CSR practices. The standard deviation supports this finding, by indicating that most of the data points are within 1.09 units of the mean. The 25th percentile confirms that a considerable number of the respondents were "not at all familiar" with the bank's CSR practices. Figure 5.11 graphically displays the distribution of Nedbank's CSR familiarity.

Figure 5.11: Distribution of Nedbank's CSR familiarity



Nedbank is known as the 'green' bank (Jooste, 2019; Van Zyl, 2019). The company spend significant amounts of resources on "green" funding, responsible lending and supporting CSR initiatives (Nedbank Group, 2018; Van Zyl, 2019). However, the distribution of the data points in Figure 5.11 indicates that the majority of the potential investors were not familiar with Nedbank's CSR practices.

5.4.6 Investment intention

Another main concept in the model is investment intention (refer to Appendix A). Respondents' intention to invest in the shares of Nedbank were measured by asking them to rate how likely they are to invest in the bank's shares (on a five-point Likert scale) at three different stages of the questionnaire.

Respondents were, firstly, asked how likely they were to invest in Nedbank's shares right after they have rated their perception of how well Nedbank is performing on 13 CSR practices (refer to Appendix E, Question 8). At this stage in the questionnaire, the respondents had not yet been presented with any information regarding Nedbank's actual CSR performance. Therefore, investment intention was evaluated purely based on respondents' perception of Nedbank. The results are presented in Table 5.14.

Table 5.14: Intention to invest in Nedbank (purely based on perception of CSR practices)

NEDBANK	1 Very unlikely	2 Unlikely	3 Neutral	4 Likely	5 Very likely	Mean	Median
Frequency	126	245	616	542	120	3.17	3.00

As indicated in Table 5.14, 616 (37.35%) respondents indicated that they felt "neutral" as to whether they would invest in Nedbank's shares, while only a few respondents were "very likely" to invest in Nedbank's shares. This distribution is mirrored by the average and median scores that were slightly above three and equal to three, respectively.

Secondly, respondents were requested to indicate how likely they are to invest in Nedbank's shares after they were presented with some of Nedbank's actual CSR practices (Appendix E, Question 12). Table 5.15 represents the number of respondents that chose each rating reflecting whether they had the intention to invest in Nedbank's shares at this stage.

Table 5.15: Intention to invest in Nedbank (after providing details on actual CSR practices)

NEDBANK	1 Very unlikely	2 Unlikely	3 Neutral	4 Likely	5 Very likely	Mean	Median
Frequency	91	130	405	722	301	3.61	4.00

Table 5.15 shows that more respondents (722 in Table 5.15) were now likely to invest in Nedbank's shares, whereas only 542 (Table 5.14) of the 1 649 respondents were likely to invest in Nedbank's shares before they received information on the bank's actual CSR practices. Many respondents changed their intention to invest in Nedbank's shares from "neutral" to "likely" and even "very likely", resulting in an increase in the average investment intention score.

Thirdly, respondents were asked how likely they are to invest in Nedbank's shares after they were provided with a concrete CSR score of 88 per cent (where 0% indicates that there is no evidence of CSR practices and 100% represents an outstanding CSR score) (refer to Appendix E, Question 13). Table 5.16 contains details on the number of respondents that chose each of the respective ratings.

Table 5.16: Intention to invest in Nedbank (after providing an actual CSR score)

NEDBANK	**1** **Very unlikely**	**2** **Unlikely**	**3** **Neutral**	**4** **Likely**	**5** **Very likely**	**Mean**	**Median**
Frequency	79	103	275	797	395	3.80	4.00

Table 5.16 shows that more than 70 per cent of the respondents indicated that they were likely or very likely to invest in Nedbank's shares at this stage of the questionnaire. The increase in the average and median investment intention scores (Table 5.16 in comparison to Table 5.15) confirm that the respondents were more likely to invest after they were provided with a concrete numerical CSR score for Nedbank.

5.5 SUMMARY

The study's response rate and demographic profile were firstly analysed. The response rate is deemed acceptable and the sample is representative of the target population. Frequency tables were then constructed, and average scores were calculated to descriptively assess the various constructs included in the study. The average brand familiarity score indicates that respondents were familiar with Nedbank. As such, they were deemed able to provide meaningful responses to the questions included in the questionnaire.

The respondents had a positive perception of Nedbank's corporate identity. Regarding corporate identity, they perceived Nedbank to perform better on the corporate expertise than the corporate values dimension. Although the respondents had a very favourable attitude towards CSR initiatives in general, they expressed the perception that Nedbank performed poorly regarding some of their CSR practices. The results, furthermore, indicated that the respondents were not really familiar with Nedbank's CSR practices.

Regarding the respondents' investment intention, their average initial response was "neutral". Once they became more familiar with Nedbank's CSR practices, their intention to invest in Nedbank's shares increased. They were even more likely to invest in Nedbank's shares after they were presented with a numerical CSR score. The inferential results are presented in the next chapter.

CHAPTER 6

RESULTS: INFERENTIAL STATISTICS

6.1 INTRODUCTION

In the previous chapter, the initial phase of the data analysis was discussed. Descriptive statistics were reported to understand the nature of the data. In this chapter, the results of the multivariate inferential analysis that were conducted to evaluate the relationships among the considered variables (brand familiarity, corporate identity, CSR practices, CSR familiarity and investment intention), are reported.

Chin (1998) explained that the PLS methodology consists of a two-part analysis, namely evaluating the measurement and structural models, respectively. The measurement model assessment (presented in Section 6.2) includes the evaluation of internal consistency reliability, convergent validity, discriminant validity and the outer loadings for the constructs. Next, the structural model is evaluated in Section 6.3. The key results regarding the multicollinearity, coefficient of determination and assessment of the path coefficients are reported, followed by the results of the hypotheses testing.

6.2 MEASUREMENT MODEL ASSESSMENT

Several measurement instruments were used to measure the eight constructs that were included in the study. The items that were used to measure each construct are presented in Table 6.1.

Table 6.1: Constructs and measurement items

Construct	Measurement item	Label
Brand familiarity	How familiar are you with Nedbank?	Familiarity
In your opinion, to what extent does each of the following traits describe Nedbank?		n/a
Corporate expertise	Expert in products and services delivered	Nedbank_CORPID1
	Innovative (introduce new ideas in products and services delivery)	Nedbank_CORPID2
	Have skilled employees	Nedbank_CORPID3
	Experienced in the banking sector	Nedbank_CORPID4
Corporate values	Activist for social change	Nedbank_CORPID5
	Compassionate by contributing to the well-being of the community	Nedbank_CORPID6
	Sincere in caring for stakeholders	Nedbank_CORPID7
	Trustworthy	Nedbank_CORPID8
Please rate how you think Nedbank performs relating to the following CSR practices:		n/a
Discretionary CSR practices	Contribute to the community through charitable giving	Nedbank_CSR_Q1
	Allow time for staff to do volunteer work	Nedbank_CSR_Q2
Moral CSR practices	Do not produce products or services that could harm consumers	Nedbank_CSR_Q3
	Respect human rights	Nedbank_CSR_Q4
	Provide equal compensation for work of equal value	Nedbank_CSR_Q5
	Stand against discrimination based on race, gender, or religion	Nedbank_CSR_Q6
	Provide a healthy work environment	Nedbank_CSR_Q7
	Address climate change	Nedbank_CSR_Q8
	Act in an environmentally friendly manner	Nedbank_CSR_Q10
	Have a diverse board of directors	Nedbank_CSR_Q11
	Do not engage in unethical practices such as bribery and corruption	Nedbank_CSR_Q13
Relational CSR practices	Report on how they reduce their environmental impact	Nedbank_CSR_Q9
	Have healthy relationships with their stakeholders	Nedbank_CSR_Q12
Please indicate how familiar you are with the following actual CSR practices of Nedbank:		n/a
CSR familiarity	Nedbank's back-to-school campaign and sport development programme provide children with uniforms and other basic school items.	Practices_Nedbank_Q1
	Nedbank addresses climate change by continuously improving their management of energy and greenhouse gas emissions. Nedbank does this by setting intensity reduction targets and investing in renewable-energy generation for their operations.	Practices_Nedbank_Q2
	Nedbank invests in sustainable agricultural practices through the World Wide Fund for Nature (WWF-SA).	Practices_Nedbank_Q3
Investment intention	Please indicate how likely you are to invest in Nedbank's shares.	Shares_Nedbank

The main objective of the assessment of the measurement model is to determine the quality of the measurement instruments that were used to represent the various constructs. This was done by evaluating and interpreting the reliability and validity of the measurement model.

6.2.1 Assessment of internal consistency reliability

The internal consistency reliability for each scale was tested to ensure that the scales measured the variables that they were intended to measure. Cronbach's (1951) alpha values were calculated to indicate the degree of reliability for corporate expertise, corporate values, *discretionary* CSR practices, *moral* CSR practices, *relational* CSR practices and CSR familiarity. In addition, the CR values, which are considered to be less biased than Cronbach's alpha values (Bagozzi & Yi, 1988), were also evaluated for each of the constructs. For this study, a Cronbach's alpha value and CR value between 0.70 and 0.90 were regarded as acceptable, as suggested in literature (Nunnally & Bernstein, 1994; Tabachnick & Fidell, 2013). The internal consistency reliability results are reported in Table 6.2.

Table 6.2: Internal consistency reliability results

Construct	Scale	Total inter-item correlation	Alpha if deleted*	Cronbach's alpha	CR
Corporate expertise	Nedbank_CORPID1	0.60	0.65	0.75	0.84
	Nedbank_CORPID2	0.50	0.71		
	Nedbank_CORPID3	0.56	0.68		
	Nedbank_CORPID4	0.50	0.71		
Corporate values	Nedbank_CORPID5	0.59	0.75	0.79	0.87
	Nedbank_CORPID6	0.69	0.69		
	Nedbank_CORPID7	0.66	0.72		
	Nedbank_CORPID8	0.48	0.80		
Discretionary CSR practices	Nedbank_CSR_Q1	0.47	n/a	0.64	0.84
	Nedbank_CSR_Q2	0.47	n/a		
Moral CSR practices	Nedbank_CSR_Q3	0.58	0.86	0.87	0.90
	Nedbank_CSR_Q4	0.67	0.85		
	Nedbank_CSR_Q5	0.64	0.86		
	Nedbank_CSR_Q6	0.67	0.85		
	Nedbank_CSR_Q7	0.69	0.85		
	Nedbank_CSR_Q8	0.45	0.87		
	Nedbank_CSR_Q10	0.60	0.86		
	Nedbank_CSR_Q11	0.57	0.86		
	Nedbank_CSR_Q13	0.65	0.85		
Relational CSR practices	Nedbank_CSR_Q9	0.34	n/a	0.51	0.80
	Nedbank_CSR_Q12	0.34	n/a		
CSR familiarity	Practices_Nedbank_Q1	0.60	0.79	0.81	0.89
	Practices_Nedbank_Q2	0.70	0.70		
	Practices_Nedbank_Q3	0.68	0.71		

*Estimated Cronbach's alpha value if one of the measurement items in the scale is deleted

As seen in Table 6.2, corporate expertise, corporate values, *moral* CSR practices and CSR familiarity obtained Cronbach's alpha values larger than 0.70. The inter-item correlations for these constructs ranged between 0.45 and 0.70. The results indicate that the measurement items measured these constructs accurately. The corporate values construct was the only scale that had one item that could be deleted to marginally improve the Cronbach's alpha value. The increase in the Cronbach's alpha value from 0.79 to 0.80, however, was not regarded as significant. Consequently, the item was not deleted from the scale.

The *discretionary* and *relational* CSR practices constructs obtained Cronbach's alpha values of 0.64 and 0.51, respectively. The reason for the comparatively lower reliability scores is that *discretionary* and *relational* CSR practices were only measured by two items. Consequently, the lower Cronbach's alpha values are deemed satisfactory (Peterson, 1994; Hair *et al*., 2006). Furthermore, the inter-item correlation scores for *discretionary* and *relational* CSR practices were 0.47 and 0.34, respectively. These scores indicate that the measurement items are positively correlated, showing that the items measured the same construct. The CR values for all the constructs were between 0.80 and 0.90. This result indicates that the factors exhibited acceptable internal consistency reliability.

6.2.2 Assessment of convergent validity

The convergent validity was assessed to determine whether the indicators in the measurement instrument relating to a specific construct are positively correlated with one another (Campbell & Fiske, 1959). The AVE value indicates the amount of variance in the indicator variables explained by common factors. An AVE value of 0.50 or higher indicates that the indicator variable measures the relevant construct (Fornell & Larcker, 1981). Table 6.3 contains the AVE value for each construct.

Table 6.3: Convergent validity

Construct	AVE
Corporate expertise	0.57
Corporate values	0.62
Discretionary CSR practices	0.73
Moral CSR practices	0.50
Relational CSR practices	0.67
CSR familiarity	0.72

Perusal of Table 6.3 reveals that the AVE values for the respective constructs range between 0.50 and 0.73, indicating that the constructs explain 50 per cent or more of the variance in the indicators. The AVE values thus confirm that the constructs exhibit acceptable convergent validity.

6.2.3 Assessment of discriminant validity

For the purpose of this study, it was essential to assess whether the constructs are truly distinct from one another. The HTMT ratio of correlations approach was used to assess the discriminant validity of the constructs. This ratio indicates the average of the correlations of the indicators across constructs, measuring different phenomena relative to the average of the correlations of the indicators within the same construct (Henseler *et al*., 2015). The HTMT results are provided in Table 6.4.

Table 6.4: Heterotrait-monotrait ratios of correlations

Construct	Brand familiarity	Discretionary CSR practices	CSR familiarity	Moral CSR practices	Relational CSR practices	Corporate expertise	Corporate values
Discretionary CSR practices	0.16	n/a	n/a	n/a	n/a	n/a	n/a
CSR familiarity	0.19	0.46	n/a	n/a	n/a	n/a	n/a
Moral CSR practices	0.19	0.67	0.47	n/a	n/a	n/a	n/a
Relational CSR practices	0.15	0.98	0.58	1.12	n/a	n/a	n/a
Corporate expertise	0.41	0.50	0.33	0.61	0.68	n/a	n/a
Corporate values	0.21	0.72	0.44	0.72	0.88	0.77	n/a
Investment intention	0.18	0.45	0.40	0.53	0.61	0.53	0.52

As can be seen in Table 6.4, most of the ratios are less than 0.90, which is considered as the threshold value for discriminant validity (Gold *et al*., 2001). However, the HTMT value between *relational* CSR practices and *discretionary* CSR practices was 0.98. This value suggests that the constructs might not be unrelated. Yet, some literature (Henseler *et al*., 2015) indicated that a correlation smaller than one show that the true correlation between the constructs should differ. The HTMT ratio of correlation of 1.12, between *relational* CSR practices and *moral* CSR practices, exceeds even the "liberal value" of one. This result indicates that these two constructs do not exhibit sufficient discriminant validity and might not be truly distinct.

6.2.4 Assessment of the outer loadings

The final assessment of the measurement model consisted of a PLS bootstrap analysis based on the approach suggested by Davison *et al*. (2003). Bootstrapping was done to evaluate the factor loadings to determine the significance of the item loadings. The factor loadings were inspected to determine whether zero has been included in the 95 per cent confidence interval (CI). If a CI does not include zero, the factor loading is statistically significant (Chin, 1998). Table 6.5 illustrates the outer loadings for the relevant indicators that measure the constructs.

Table 6.5: Outer loadings for the measurement model

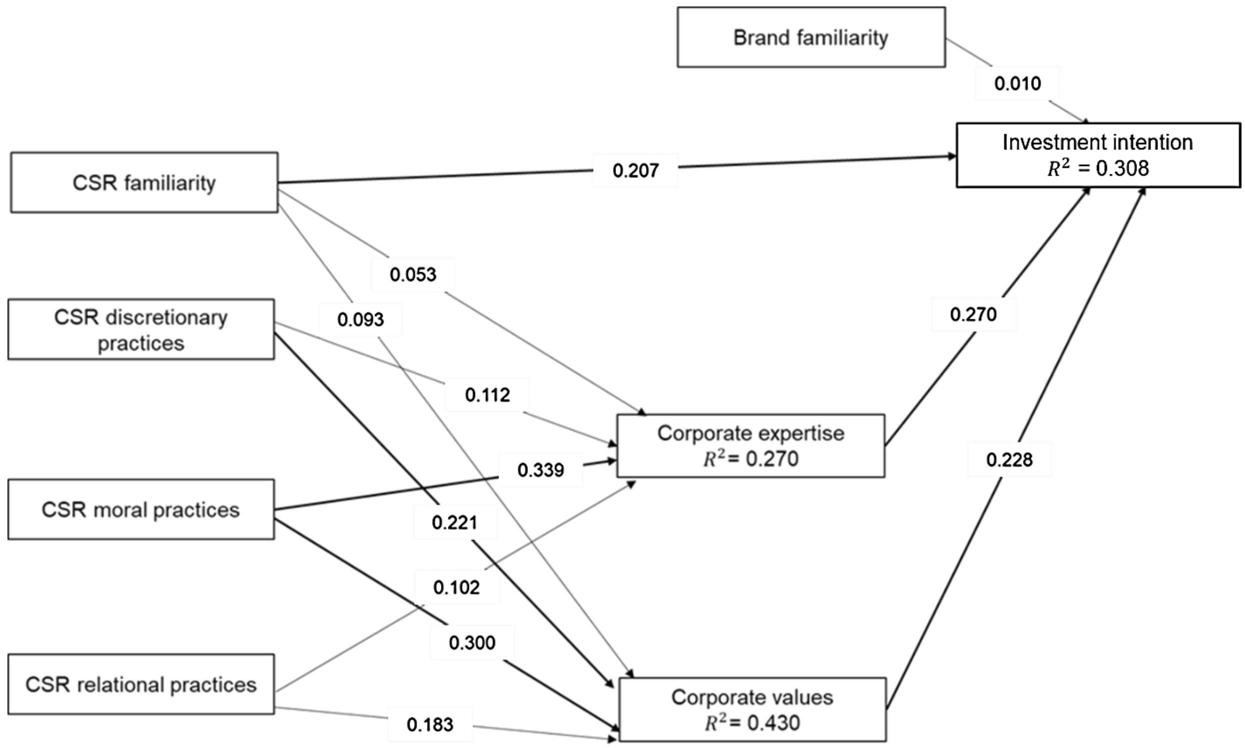
Construct	Path (construct to measurement item)			Loading	95% CI (lower)	95% CI (upper)	Significant from CI	*p*-value from *t*-test
Brand familiarity	Familiarity	←	Brand familiarity	1.00	n/a	n/a	n/a	n/a
Corporate expertise	Nedbank_CORPID1	←	Corporate expertise	0.79	0.76	0.81	Significant	0.00
	Nedbank_CORPID2	←	Corporate expertise	0.76	0.73	0.81	Significant	0.00
	Nedbank_CORPID3	←	Corporate expertise	0.77	0.75	0.80	Significant	0.00
	Nedbank_CORPID4	←	Corporate expertise	0.69	0.64	0.72	Significant	0.00
Corporate values	Nedbank_CORPID5	←	Corporate values	0.76	0.73	0.78	Significant	0.00
	Nedbank_CORPID6	←	Corporate values	0.83	0.81	0.85	Significant	0.00
	Nedbank_CORPID7	←	Corporate values	0.83	0.81	0.85	Significant	0.00
	Nedbank_CORPID8	←	Corporate values	0.72	0.68	0.75	Significant	0.00
Discretionary CSR practices	Nedbank_CSR_Q1	←	Discretionary CSR practices	0.91	0.90	0.93	Significant	0.00
	Nedbank_CSR_Q2	←	Discretionary CSR practices	0.79	0.74	0.82	Significant	0.00
Moral CSR practices	Nedbank_CSR_Q3	←	Moral CSR practices	0.69	0.66	0.72	Significant	0.00
	Nedbank_CSR_Q4	←	Moral CSR practices	0.77	0.74	0.79	Significant	0.00
	Nedbank_CSR_Q5	←	Moral CSR practices	0.72	0.69	0.75	Significant	0.00
	Nedbank_CSR_Q6	←	Moral CSR practices	0.75	0.73	0.78	Significant	0.00
	Nedbank_CSR_Q7	←	Moral CSR practices	0.78	0.75	0.80	Significant	0.00
	Nedbank_CSR_Q8	←	Moral CSR practices	0.55	0.50	0.58	Significant	0.00
	Nedbank_CSR_Q10	←	Moral CSR practices	0.68	0.65	0.71	Significant	0.00
	Nedbank_CSR_Q11	←	Moral CSR practices	0.66	0.63	0.70	Significant	0.00
	Nedbank_CSR_Q13	←	Moral CSR practices	0.74	0.71	0.77	Significant	0.00
Relational CSR practices	Nedbank_CSR_Q9	←	Relational CSR practices	0.75	0.72	0.78	Significant	0.00
	Nedbank_CSR_Q12	←	Relational CSR practices	0.87	0.85	0.89	Significant	0.00
CSR familiarity	Practices_Nedbank_Q1	←	CSR familiarity	0.82	0.79	0.84	Significant	0.00
	Practices_Nedbank_Q2	←	CSR familiarity	0.87	0.85	0.89	Significant	0.00
	Practices_Nedbank_Q3	←	CSR familiarity	0.87	0.85	0.88	Significant	0.00
Investment intention	Shares_Nedbank	←	Investment intention	1.00	n/a	n/a	n/a	n/a

From Table 6.5 it can be concluded that the paths between the measurement items and the relevant constructs were statistically significant, since none of the CIs contained zero. The results confirm that each item included in the respective construct scales measured what it was intended to measure. It should be noted that brand familiarity and investment intention had outer loadings of 1.00, as these constructs were measured by a single item. The bootstrap analysis was, therefore, not applicable to these two constructs. Given the adequacy of the measures, the structural portion of the model could be assessed. The results of the structural model are presented next.

6.3 STRUCTURAL MODEL ASSESSMENT

The structural (inner) model should be assessed to determine the strength and significance of the path coefficients to confirm or reject the hypotheses (Chin, 1998). PLS-SEM was used to assess the structural model presented in Figure 6.1. The model's predictive capabilities and the relationships (paths) between the constructs are indicated. The eight constructs are represented by the rectangles. Two mediating interactions, namely corporate expertise and corporate values, were hypothesised to mediate the relationship between CSR familiarity, *discretionary*, *moral* and *relational* CSR practices and investment intention.

Figure 6.1: Graphical presentation of the structural model



The evaluation of this structural model included assessing multicollinearity, *R*-squared values and estimating the path coefficients to address the hypotheses. These steps are discussed in the following sub-sections. Reference will be made to the components of Figure 6.1, where applicable.

6.3.1 Assessment of multicollinearity

Multicollinearity exist when constructs in a regression model are highly correlated (Bagozzi & Yi, 1988). High correlations can cause “unstable estimations” of the relationships between the constructs as well as inaccurate confidence intervals and hypothesis testing (Belsley, Kuh & Welsch, 2005; Temme, Kreis & Hildebrandt, 2010).

The constructs were tested for multicollinearity by evaluating the VIF associated with each predictor (exogenous) variable, as shown in Table 6.6. As explained in Section 4.9.2.2., the VIF values measure the degree to which the variance of the estimated regression coefficients is inflated by the existence of high intercorrelations between the predictor variables in the model (Götz *et al*., 2010). In line with Hair *et al*. (2014a), VIF values exceeding 5.00 were regarded as indicating multicollinearity in this study.

Table 6.6: Multicollinearity results

Construct	Corporate expertise	Corporate values	Investment intention
Brand familiarity	n/a	n/a	1.15
Corporate expertise	n/a	n/a	1.72
Corporate values	n/a	n/a	1.69
Discretionary CSR practices	1.58	1.58	n/a
Moral CSR practices	2.53	2.53	n/a
Relational CSR practices	2.42	2.42	n/a
CSR familiarity	1.22	1.22	1.16

As indicated in Table 6.6, the VIF values for the constructs range between 1.15 and 2.53. These values are below the threshold value of 5, suggesting that multicollinearity is not a concern when estimating the PLS path model for the study.

6.3.2 Assessment of the coefficient of determination

The predictive power of the structural model was assessed by the *R*-squared values of the endogenous constructs (Chin, 1998). As explained in Section 4.9.2.2, the *R*-squared value determines how much variance in the endogenous variables is explained by the model (ibid). The *R*-squared values for corporate expertise and corporate values, indicated in Figure 6.1, show that approximately 27 per cent and 43 per cent of the variance in these respective variables can be explained by exogenous variables, namely *discretionary*, *moral* and *relational* CSR practices as well as CSR familiarity. The corporate expertise *R*-squared score is lower than the corresponding corporate values score. The relatively low *R*-squared score for corporate expertise could indicate that there are other viable variables that could possibly have an impact on corporate expertise that were not measured in this study. Nevertheless, these constructs present acceptable levels of explained variance according to Falk and Miller's (1992) suggested level of 10 per cent, as well as Hair *et al*.'s (2011) suggested level of 20 per cent, for consumer studies. In addition, according to Chin's (1998) measurement as discussed in Section 4.9.2.2 corporate expertise and corporate values are moderately explained by the model.

The model, furthermore, accounted for approximately 31 per cent of the variance in investment intention (see Figure 6.1). The implication is that by considering CSR familiarity, CSR practices, corporate identity and brand familiarity, just less than a third of the investment intention of potential investors could be explained. This value is considered to be moderate according to Chin (1998) and highly satisfactory according to Hair *et al*. (2011), as explained in Section 4.9.2.2.

6.3.3 Assessment of path coefficients

The relevance and strength of the model paths should be determined in order to enable prediction (Henseler *et al*., 2009). The significance of the considered constructs was determined by means of the bootstrapping method to compute *p*-values, as explained in Section 4.9.2 and Section 6.2.4. Significance levels of 1 per cent and 5 per cent were used to determine the significance of the investigated relationships.

Table 6.7 indicates the significance of the path coefficients. To determine the stability of the path coefficients, 95 per cent confidence intervals (denoted as CI upper and lower) were calculated. According to the bootstrapping method, a path coefficient is significant when zero is not included in the 95 per cent CI (Tenenhaus *et al*., 2005). Furthermore, the relevance (or strength) of each significant relationship was assessed by examining the size of the path coefficients that are indicated in Table 6.7. Henseler *et al*. (2009) explained that path coefficients of 0.02, 0.15 and 0.35 indicate small, medium or large predictive relevance of a certain construct, respectively. Their guidelines were applied in the remainder of this section.

Table 6.7: Path coefficients between constructs

Path (relationship)			Path coefficient	95% CI (lower)	95% CI (upper)	Significant from CI	*p*-value from *t*-test
Discretionary CSR practices	→	Corporate expertise	0.11	0.05	0.17	Significant	0.00
Discretionary CSR practices	→	Corporate values	0.22	0.17	0.28	Significant	0.00
Moral CSR practices	→	Corporate expertise	0.34	0.27	0.41	Significant	0.00
Moral CSR practices	→	Corporate values	0.30	0.23	0.37	Significant	0.00
Relational CSR practices	→	Corporate expertise	0.10	0.04	0.16	Significant	0.00
Relational CSR practices	→	Corporate values	0.18	0.12	0.25	Significant	0.00
Corporate expertise	→	Investment intention	0.27	0.21	0.33	Significant	0.00
Corporate values	→	Investment intention	0.23	0.17	0.29	Significant	0.00
CSR familiarity	→	Corporate expertise	0.05	0.01	0.10	Significant	0.03
CSR familiarity	→	Corporate values	0.09	0.05	0.13	Significant	0.00
CSR familiarity	→	Investment intention	0.21	0.16	0.25	Significant	0.00
Brand familiarity	→	Investment intention	0.01	-0.03	0.05	Not significant	0.66

Each secondary research objective (as formulated in Section 4.4) will now be addressed by discussing the outcomes of the hypothesis testing. Reference will be made to the results reported in Table 6.7, where applicable.

6.3.3.1 Results related to the first secondary objective

The first secondary objective of this study was to assess the effect of CSR practices on corporate identity. The latter comprises two components, namely corporate expertise and corporate values, as explained in Section 2.6. This objective was assessed by testing hypotheses 1 to 6 (as formulated in Section 4.4.1).

The results of the first null hypothesis, which hypothesised no relationship between *discretionary* CSR practices and corporate expertise, were found to be statistically significant given the *p*-value of 0.00 and the absence of zero in the 95 per cent CI in Table 6.7. The first null hypothesis was, hence, rejected in favour of the alternative hypothesis. Therefore, *discretionary* CSR practices have a significant positive effect on corporate identity. However, the path coefficient value was only 0.11, indicating medium predictive relevance (Henseler *et al*., 2009).

The *p*-value for the second null hypothesis, postulating no relationship between *discretionary* CSR practices and corporate values, is 0.00 in Table 6.7. This result indicates that the relationship is statistically significant and, hence, the null hypothesis is rejected. The CI confirms the rejection of the second null hypothesis. This result shows that *discretionary* CSR practices have a significant positive effect on corporate identity based on the respondents' feedback. The path coefficient calculated for this association is 0.22 (Table 6.7), indicating a stronger predictor relevance for *discretionary* CSR practices on corporate values than on corporate expertise. This finding might be partly explained by *discretionary* CSR practices including voluntary/philanthropic responsibilities or social actions which are more related to corporate values (activist, compassionate, sincere, trustworthy) than to corporate expertise (expert, innovative, skilled, experienced).

The third null hypothesis, which stated no association between *moral* CSR practices and corporate expertise, was rejected given the CI and the *p*-value, as indicated in Table 6.7. The path coefficient of 0.34 shows that *moral* CSR practices have a large positive prediction relevance towards corporate expertise based on Henseler *et al*.'s (2009) prediction relevance guidelines.

The fourth null hypothesis (*moral* CSR practices have no effect on corporate values) was rejected given the small *p*-value reported in Table 6.7. A large predictive relevance coefficient of 0.30 was calculated for the path analysis between *moral* CSR practices and corporate values. Although this path coefficient is marginally smaller than that of corporate expertise, *moral* CSR practices have a positive effect on both the corporate values and corporate expertise dimensions of corporate identify.

Moral CSR practices refer to the systems that are considered as morally acceptable (Carroll & Buchholtz, 2015) and include practices that could influence values (e.g. not participating in bribes) as well as expertise (e.g. having a diverse board of directors), as shown in Table 6.1. Based on the reported results, the value of engaging in acceptable moral behaviour was perceived to be fundamental to a company's ability to be considered an expert or leader within its field. Additionally, *moral* CSR practices are a significant predictor of corporate values. Research has indicated that banking institutions do not just address CSR through philanthropy, but specifically focus on ethical values (Pérez & Del Bosque, 2012).

The proposed relationship between *relational* CSR practices and corporate expertise, as formulated by the fifth hypothesis, was statistically significant, given that zero did not fall within the 95 per cent CI and the *p*-value of 0.00 reported in Table 6.7. Consequently, null hypothesis 5 was rejected. The path coefficient of 0.10 (Table 6.7) indicates that *relational* CSR practices have a moderate positive effect on corporate expertise and only have medium predictive relevance (Henseler *et al*., 2009).

This finding pertaining to a moderate effect between the constructs is somewhat contradictory to David *et al*.'s (2005) observation that *relational* CSR practices strongly predict corporate expertise. Yet, David *et al*. (2005) explained that their result should be interpreted with caution, since the *relational* practices score was derived from two items. The *relational* CSR practices for the current study were, likewise, only derived from two items. This study's sample could arguably have had the perception that Nedbank's relationships with their stakeholders relate more to corporate values (as tested next) than to corporate expertise.

Null hypothesis six, which related to no association between *relational* CSR practices and corporate values, was rejected based on the *p*-value reported in Table 6.7. It is furthermore evident that *relational* CSR practices have a moderate effect on corporate values based on the reported path coefficient of 0.18. In contrast, David *et al*. (2005) reported an insignificant link between these constructs. It could be that the respondents of the current study felt that the relationship between a company and its stakeholders are more relevant to corporate values than to corporate expertise.

In conclusion, the path analyses suggest that CSR practices are significant predictors of the corporate expertise and corporate values dimensions of corporate identity. These findings are consistent with previous researchers that suggested that CSR activities have a positive impact on corporate identity (Maignan & Ferrell, 2004; Meehan *et al*., 2006; Pomering &

Johnson, 2009; Poolthong & Mandhachitara, 2009; Maruf, 2013). Moreover, the results are in line with the view of previous authors that CSR plays a central role in predicting corporate identity, as banks are more oriented toward the community where they operate and are specifically characterised by their "social dividend" (Gardener, Molyneux, Williams & Carbo 1997; Pérez & Del Bosque, 2012).

6.3.3.2 Results related to the second secondary objective

The second secondary research objective of the study was to assess the effect of the perception of corporate identity on investment intention. This objective was assessed by testing hypotheses 7 and 8, as stated in Section 4.4.2. Null hypothesis 7 stated that the perception of corporate expertise has no effect on investment intention. A statistically significant relationship was detected between these constructs, given that zero did not fall in the 95 per cent CI and the *p*-value of 0.00 as shown in Table 6.7. Based on the rejection of null hypothesis 7, it can be stated that corporate expertise has a positive effect on the investment intention of this study's respondents. The predictive relevance of corporate expertise on investment intention is large, as indicated by the path coefficient of 0.27 (Table 6.7). This result is consistent with previous authors who argued that potential individual investors typically consider corporate expertise factors when they make investment decisions (Al-Tamini, 2006; Subash, 2012; Ponnamperuma, 2013).

The eighth null hypothesis postulated no effect between corporate values and investment intention. This hypothesis was rejected, given the small *p*-value reported in Table 6.7. Therefore, the positive relationship between corporate values and investment intention is statistically significant. The path coefficient for corporate expertise (0.27) was slightly larger than the path coefficient for corporate values (0.23) relating to investment intention. Corporate expertise, hence, seems to have a larger influence on investment intention than corporate values. This result is not surprising, since corporate expertise indicates the dominance of a company in its field which includes financial health (David *et al*., 2005). The latter, in turn, has an influence on investment intention (Merika, 2008; Easley, Hvidkjaer & O'Hara, 2010). Previous authors likewise argued that corporate expertise conveys important information about the risk, profit and long-term potential of a firm (Srivastava, McInish, Wood & Capraro, 1997). A positive perception of corporate expertise, furthermore, translates into a positive influence on actual and potential investors to invest in the company (Maden, Arikan, Telci & Kantur, 2012).

The significant relationship that was noted between corporate values and investment intention in this study, confirms that corporate values play an important role in investment decision-making and can predict investment intention. This result is consistent with the findings of previous studies, which indicated that there is a positive link between stock preferences and socially responsible organisations (Graves & Waddock, 1994; Mackey *et al*., 2007). The finding adds to the research conducted by Shamma and Hassan (2009), which indicated that stakeholders' perception of corporate values (vision, leadership, emotional appeal and social responsibility) had a significant positive relationship with behavioural intentions.

6.3.3.3 Results related to the third secondary objective

The third secondary research objective of this study was to assess the effect of CSR practices on investment intention through the discussed dimensions of corporate identity. This objective was assessed by testing hypotheses 9 to 14 (as formulated in Section 4.4.3). The researcher assessed whether corporate expertise and corporate values act as mediators between the different types of CSR practices and investment intention. It was, hence, necessary to assess whether the direct paths are significant, as suggested by Preacher and Hayes (2004). If these paths are indeed significant, the indirect paths will also be significant (ibid).

Null hypothesis 9 stated that the influence of *discretionary* CSR practices on investment intention is not mediated by corporate expertise. The indirect path coefficient for *discretionary* CSR practices through corporate expertise to investment intention, was calculated as 0.03. The indirect path coefficients were calculated by multiplying the relevant direct path coefficients. A path coefficient of 0.05 was calculated for the influence of *discretionary* CSR practices on investment intention through corporate values, as stated by the tenth hypothesis. It, hence, seems that corporate values mediate the relationship between *discretionary* CSR practices and investment intention more strongly than corporate expertise. It should be taken into account, however, that the small path coefficients only have a weak predictive relevance (Henseler *et al*., 2009).

For null hypothesis 11, which hypothesised that the influence of *moral* CSR practices on investment is not mediated by corporate expertise, a path coefficient of 0.08 was calculated. Likewise, a path coefficient of 0.07 was calculated for the path analysis between *moral* CSR practices and investment intention, mediated by corporate values as stated by hypothesis 12. These results indicate that corporate expertise obtained a slightly larger coefficient than corporate values. As the path coefficients are very small, they only indicate a weak relationship between CSR moral values and investment intention through corporate expertise and values dimensions, respectively.

For the impact of *relational* CSR practices on investment intention through the dimension of corporate expertise, as hypothesised by hypothesis 13, an indirect coefficient of 0.03 was calculated. Null hypothesis 14 stated that the influence of *relational* CSR practices on investment intention is not mediated by corporate values. A path coefficient of 0.04 was calculated for the stated indirect path. Therefore, corporate values have a slightly stronger relevance to mediate the relationship between *relational* CSR practices and investment intention compared to corporate expertise. However, the small path coefficients indicate small predictive relevance (Henseler *et al*., 2009).

All the direct paths that were included in hypotheses 9 to 14 were statistically significant. It can, hence, be concluded that the influence of all the considered CSR practices on investment intention has been mediated by both corporate expertise and corporate values to such an extent that the indirect effect is positive. Consequently, null hypotheses 9 to 14 are rejected.

Based on the results, it can be argued that the two dimensions of corporate identity mediate the link between CSR practices and investment intention. Each type of CSR practice had a stronger indirect effect on investment intention through corporate values than through corporate expertise. The relationship between *moral* CSR practices and investment intention was deemed the most relevant for Nedbank, since this relationship obtained the largest indirect path coefficients, indicating stronger predictive relevance than *discretionary* and *relational* CSR practices.

The results might be partly explained by Brown and Dacin's (1997) conclusion that the primary influence of CSR perceptions on behavioural attributes is evident through its influence on the corporate identity mediator. The current results are also in line with Arikan *et al*. (2016) who found that the relationship between prospective investors' CSR perceptions and their intention to invest in a firm is partially mediated by their perception of the firm's corporate reputation. Although David *et al*. (2005) reported mixed results for different companies, corporate expertise or corporate values acted as a mediator between CSR practices and purchase intention for each company included in their study.

6.3.3.4 Results related to the fourth secondary objective

The fourth secondary research objective was to assess the effect of CSR familiarity on investment intention. This objective was assessed by testing hypotheses 15 to 17 (as formulated in Section 4.4.4). Null hypothesis 15 stated that the influence of CSR familiarity on investment intention is not mediated by corporate expertise. For corporate expertise to be identified as a mediator, the direct paths between CSR familiarity and corporate expertise, and between corporate expertise and investment intention, had to be tested. A significant positive path was already reported between corporate expertise and investment intention in Section 6.3.3.2. The reported *p*-value for the effect of CSR familiarity on corporate expertise was 0.03 (Table 6.7), indicating a significant positive effect between the two constructs. However, it should be noted that, at a significance level of 1 per cent, the effect is not significant. This result is important, since it is the only *p*-value in Table 6.7 (besides the relationship between brand familiarity and investment intention) that is larger than 0.00. The result is supported by the small path coefficient of 0.05 (Table 6.7) which indicates that CSR familiarity has only a very weak positive effect on corporate expertise.

As both paths were significant, the VAF value was calculated to determine whether the effect of CSR familiarity on investment intention is mediated by corporate expertise. Given that the reported VAF value for this mediation (6%) is less than 20 per cent, it relates to almost no mediation (Hair *et al*., 2014a). It was, hence, concluded that the effect of CSR familiarity on investment intention is not mediated by corporate expertise in this study. Null hypothesis 15 could not be rejected.

Null hypothesis 16 stated that the influence of CSR familiarity on investor intention is not mediated by corporate values. The direct path between corporate values and investment intention is significant, as reported in Section 6.3.3.2. The path coefficient of 0.09 (Table 6.7) indicates that the effect of CSR familiarity on corporate values is weak. The VAF value of 9 per cent for this mediation reflected almost no mediation. Therefore, corporate values are not deemed a mediator between CSR familiarity and investment intention, based on the respondents' feedback. Consequently, null hypothesis 16 could not be rejected.

After the conclusion was reached that neither corporate expertise nor corporate values were a mediator for CSR familiarity and investment intention, the direct path between the two constructs was assessed. The *p*-value for null hypothesis 17, postulating no relationship between CSR familiarity and investment intention, is 0.00 as shown in Table 6.7. This null hypothesis is, therefore, rejected. The path coefficient of 0.21, as shown in Table 6.7, indicates that CSR familiarity predicts investment intention. This finding is in line with previous studies that revealed that the awareness of a firm's CSR initiatives enhanced stakeholders' intentions to buy shares from the firm (Sen *et al*., 2006; Alniacik *et al*., 2011).

6.3.3.5 Results related to the fifth secondary objective

The final secondary research objective was to assess the effect of brand familiarity on individuals' intent to invest. Null hypothesis 18 was accordingly formulated, namely that brand familiarity has no effect on investment intention. The applicable *p*-value as well as the CI that contained zero (reported in Table 6.7) indicated that this null hypothesis could not be rejected. The implication is that the respondents' familiarity with the considered bank did not impact their intention to invest in the bank. This result contradicts literature indicating that individuals tend to invest in the shares of a company based on their familiarity with the company (Huberman, 2001; Subrahmanyam, 2008; Aspara & Tikkanen, 2008; De Bondt *et al*., 2013; Lim *et al*., 2013; De Vries *et al*., 2017).

It should be taken into account that the descriptive results (refer to Section 5.4.1) showed that the brand familiarity of Nedbank was very high, with very little variance. These descriptive results could partly explain the lack of a significant link between brand familiarity and investment intention. In David *et al*.'s (2005) study, the link between brand familiarity and purchase intention for a very familiar company, namely Microsoft, was also not significant. In addition, both the brand familiarity and investment intention constructs were measured by only one item. Measurement could also have contributed to the insignificant result.

In summary, Table 6.8 displays the null hypotheses that were formulated and tested. The third column in the table indicates whether the null hypothesis was rejected or not. As shown in the table, three hypotheses, namely hypotheses 15,16 and 18 were not rejected. All the other null hypotheses were rejected.

Table 6.8: Summary of the null hypotheses tested

Hypotheses	Rejected / Not rejected
H_{01}: Discretionary CSR practices have no effect on corporate expertise.	Rejected
H_{02}: Discretionary CSR practices have no effect on corporate values.	Rejected
H_{03}: Moral CSR practices have no effect on corporate expertise.	Rejected
H_{04}: Moral CSR practices have no effect on corporate values.	Rejected
H_{05}: Relational CSR practices have no effect on corporate expertise.	Rejected
H_{06}: Relational CSR practices have no effect on corporate values.	Rejected
H_{07}: The perception of corporate expertise has no effect on investment intention.	Rejected
H_{08}: The perception of corporate values has no effect on investment intention.	Rejected
H_{09}: The influence of discretionary CSR practices on investment intention is not mediated by corporate expertise, such that there is no indirect effect.	Rejected
H_{010}: The influence of discretionary CSR practices on investment intention is not mediated by corporate values, such that there is no indirect effect.	Rejected
H_{011}: The influence of moral CSR practices on investment intention is not mediated by corporate expertise, such that there is no indirect effect.	Rejected
H_{012}: The influence of moral CSR practices on investment intention is not mediated by corporate values, such that there is no indirect effect.	Rejected
H_{013}: The influence of relational CSR practices on investment intention is not mediated by corporate expertise, such that there is no indirect effect.	Rejected
H_{014}: The influence of relational CSR practices on investment intention is not mediated by corporate values, such that there is no indirect effect.	Rejected
H_{015}: The influence of CSR familiarity on investment intention is not mediated by corporate expertise, such that there is no indirect effect.	Not rejected
H_{016}: The influence of CSR familiarity on investment intention is not mediated by corporate values, such that there is no indirect effect.	Not rejected
H_{017}: CSR familiarity has no direct effect on investment intention.	Rejected
H_{018}: Brand familiarity has no effect on investment intention.	Not rejected

6.4 SUMMARY

In this chapter, the inferential results based on the PLS-SEM analysis of the collected primary data were discussed. Firstly, the evaluation of the measurement model was presented. The measurement model was deemed valid and reliable. Next, the results that were obtained from the multivariate inferential analysis, were discussed. Only three of the null hypotheses were not rejected, as summarised in Table 6.8.

The results appear to indicate that *discretionary*, *moral* and *relational* CSR practices have a positive effect on both dimensions of corporate identity, namely corporate expertise and corporate values. However, *discretionary* and *relational* CSR practices had more predictive relevance towards corporate values than towards corporate expertise, while *moral* CSR practices strongly predicted the perception of both dimensions. In turn, the perception of both corporate values and corporate expertise strongly predicted investment intention. Although corporate expertise and corporate values acted as mediators between all types of CSR practices and investment intention, the significance was weak.

The effect of CSR familiarity on investment intention was neither mediated by corporate values nor by corporate expertise. The results revealed that CSR familiarity had a strong positive direct effect on investment intention. In contrast, brand familiarity did not have a significant effect on investment intention. However, this result could be explained by the low variance in familiarity with Nedbank, as well as the single item measurements that were used for both brand familiarity and investment intention. In the next chapter, an overview of the main findings and the practical implications of the study are discussed.

CHAPTER 7

CONCLUSIONS AND RECOMMENDATIONS

7.1 INTRODUCTION

This study was conducted to address the knowledge gap identified, based on a review of existing literature, regarding the role that perception of corporate identity and CSR practices play in potential individual investors' decision-making. The current investigation was based on research showing that perceptions of CSR practices have an impact on stakeholders' decision-making (Brown & Dacin, 1997; Sen *et al*., 2006; Alniacik *et al*., 2011). Furthermore, some researchers argued that CSR initiatives have an impact on a firm's corporate identity which, in turn, influences stakeholders' responses towards the firm (Fombrun & Shanley, 1990; Turban & Greening, 1997; David *et al*., 2005; Arikan *et al*., 2016). If corporate role players develop a better understanding of the factors that impact investors' intentions to invest in companies, (more) enduring relationships can be developed with investors. CSR initiatives can then be used as a strategic tool to impact the perception of investors regarding a company's corporate identity and, as a result, attract potential investors.

Following the overview of the study, conclusions based on the literature review (Chapters 2 and 3) and the empirical results (Chapters 5 and 6) are reported in this chapter. Recommendations for various stakeholders are then provided. The limitations of the study are linked to suggestions for future research. The chapter is concluded with some final remarks.

7.2 OVERVIEW OF THE STUDY

The primary objective of this study was to assess the role that perception of corporate identity and CSR practices play in the investment intention of potential individual investors. This objective was addressed by adapting a dual-process model that was developed by David *et al*. (2005) based on consumer behavioural constructs to measure purchase intention. For the purpose of this study, the adapted model was used to measure investment intention (refer to Appendix A).

A positivistic research paradigm was adopted to conduct descriptive research. Accordingly, quantitative data were collected by means of paper-based and online questionnaires. A paper-based questionnaire was firstly used to select an applicable company for the study. After several considerations, Nedbank was selected. Secondly, the online questionnaire was distributed to all students who were registered at Stellenbosch University during the second semester of 2019. Participation in the study was voluntary. The electronic questionnaire measured respondents' brand familiarity and CSR familiarity with Nedbank, as well as their perception of Nedbank's corporate identity and CSR practices. The respondents' intention to invest in Nedbank's shares was also measured.

The collected primary data were analysed by means of descriptive statistics to describe the sample and multivariate inferential analyses to test the hypotheses. PLS-SEM analyses were conducted to test the measurement model as well as the structural model. The main findings from the literature review and data analyses are discussed in the following section.

7.3 CONCLUSIONS BASED ON THE LITERATURE REVIEW AND EMPIRICAL RESULTS

Conclusions based on the literature review covering the main constructs, namely brand familiarity, corporate identity, perception, attitude towards CSR practices, CSR familiarity and investment intention, are firstly discussed. Secondly, key conclusions derived from the empirical results are provided.

7.3.1 Conclusions based on the literature review

Investment decision-making is deemed one of the most crucial challenges that an individual investor experiences (Antonides & Van Der Sar, 1990). According to Engelberg and Sjöberg (2006), investment decisions are rooted in emotional and motivational processes. Investors' decisions depend on factors such as their needs, desires, beliefs, demographic factors, financial knowledge, perception, attitude, information availability, financial advisors, firm image and technology (Antonides & Van Der Sar, 1990; Subash, 2012; Parumasur & Roberts-Lombard, 2014). Attitude (and its perceptual component) was identified as a main construct that explains investor behaviour and decision-making, since the decision-making process involves attitudinal components such as emotions, cognition and actual behaviour (Fishbein & Ajzen, 1975; Davidson & Jaccard, 1979; Cohen, 2005; Parumasur & Roberts-Lombard, 2014). There are several factors that impact individual investors' perceptions of a company which, in turn, influence their investment behaviour. Researchers have shown that perceptions of a corporation's identity play an important role in consumers' purchase intentions (Miller & Sturdivant, 1977; Winters, 1988). Organisations have realised that a strong corporate identity can help them to attract customers, employees and investors (Melewar & Karaosmanoglu, 2006; Shamma & Hassan, 2009; Maden *et al*., 2012). Corporate identity is, hence, an important consideration for companies and investors. Both the tangible (corporate expertise) and intangible (corporate values) dimensions of corporate identity should be considered when research involves customers, employees and investors (Melewar & Jenkins, 2002; David *et al*., 2005; Alniacik *et al*., 2011).

Research has shown that CSR information provides stakeholders with insight into a company's corporate identity (Chappell, 1993; Brown & Dacin, 1997; Turban & Greening, 1997). CSR practices can have a positive impact on both corporate image and corporate reputation (Meehan *et al*., 2006; Maruf, 2013). Additionally, CSR can be strategically considered as an opportunity, source of innovation and competitive advantage (Porter & Kramer, 2006). These motivations are important to CEOs, CFOs and other executives since they are responsible for their companies' financial performance (O'Sullivan, 2006). The business case for CSR can be related to reducing cost and risk, gaining a competitive advantage, developing the company's reputation, and synergistic value creation (Zadek, 2000; Kurucz *et al*., 2008). For example, a business with a strong commitment to the environment can enhance its reputation from a consumer and investor perspective (Wilson, 2010).

Investing in a company with sound CSR and corporate governance programmes and initiatives has been related to long-term profitability (Derwall *et al*., 2005; Eisenhofer & Levin, 2005; Leipziger, 2010). CSR practices can thus simultaneously benefit society, companies and investors. It is, therefore, essential to understand how CSR impacts decisions made by different stakeholders.

Previous researchers mainly focused on the effects of CSR on customers' intent to purchase, as reported in marketing literature. Brown and Dacin (1997) established that CSR actions affected consumers' evaluation of a company, which in turn affected their preference for new products. Sen and Bhattacharya (2001) argued that their comparable result has been mediated by consumers' perceptions of their own characteristics and those of the company. David *et al*. (2005) added that the CSR values of a company significantly influenced customers' purchase intention. Other authors reported that CSR activity has the potential to increase the intent of stakeholders to commit personal resources (e.g. money and labour) to the benefit of a company (Sen *et al*., 2006; Alniacik *et al*., 2011; Arikan *et al*., 2016). Very limited research has, however, been conducted to understand the effect of CSR perception on individual investment intentions.

The literature review confirmed that the vast majority of finance studies do not use decision models like those employed in marketing and consumer behaviour. Some researchers have suggested that consumer theories and marketing research methodologies could be used to study individual investor preferences and decision-making (Statman, 2004; Fama & French, 2007; Lim *et al*., 2013). Therefore, the researcher adapted David *et al*.'s (2005) dual-process model to investigate the role that perception of corporate identity and CSR practices play in selected individuals' intent to invest.

7.3.2 Conclusions based on the empirical results

Although the respondents viewed Nedbank as an expert in the local banking industry, they expressed the view that Nedbank could be more innovative. Nedbank is considered compassionate by contributing to the well-being of the community, sincere in caring for their stakeholders and trustworthy. While most respondents deemed Nedbank's performance related to maintaining healthy stakeholder relationships as "average", they indicated that the bank behaves in a morally and ethically acceptable manner. The protection of human rights and provision of a healthy work environment were highly valued by respondents. They were, however, concerned about Nedbank's ability to address climate change and reporting on their environmental impact. Respondents indicated that they were not familiar with Nedbank's renewable energy and environmental sustainability CSR practices. The respondents became more willing to invest in Nedbank once they received information on the bank's actual CSR practices and CSR score.

The respondents deemed CSR practices, in general, as important. Similar to this study, which focused on young potential investors, Sen *et al*. (2006) also indicated that younger individuals are more sensitive to CSR issues than more mature individuals. The respondents for the current study deemed it very important that a business should not engage in unethical practices or produce harmful products or services. Respecting human rights and combatting discrimination were also highly valued practices. Focus should, hence, be placed on these CSR practices to attract more young investors.

The PLS-SEM analysis commenced with assessing the internal consistency reliability for each measurement scale. Acceptable Cronbach's alpha and CR values were reported. The AVE values also confirmed that the indicators in the measurement instrument, relating to a specific construct, were positively correlated with one another. All the constructs were found to be truly distinct, except for *relational* and *moral* CSR practices. The traits considered in this study (expert, innovative, skilled, experienced, activist, compassionate, sincere, and trustworthy) can, hence, be used to manage corporate identity. Likewise, the considered CSR practices are deemed good indicators of social responsibility practices that can contribute to building a favourable reputation.

After determining the adequacy of the measures, the structural portion of the model was assessed. The evaluation of the coefficient of determination indicated that 43 per cent of the variance in corporate values can be explained by *discretionary*, *moral* and *relational* CSR practices combined with CSR familiarity. Focus should be placed on familiarising investors with CSR practices, given the considerable influence thereof on corporate values which, in turn, influenced almost 31 per cent of investment intention in this study. The model explained 27 per cent of the variance in corporate expertise, suggesting that there are other viable variables that could have an impact on corporate expertise.

The path analyses suggested that CSR practices are significant predictors of the corporate expertise and corporate values dimensions of corporate identity. These findings are consistent with previous researchers who suggested that CSR activities have a positive impact on corporate identity (Maignan & Ferrell, 2004; Meehan *et al*., 2006; Pomering & Johnson, 2009; Poolthong & Mandhachitara, 2009; Maruf, 2013). Furthermore, in line with previous researchers' suggestion that CSR activities form part of a firm's corporate values (Turban & Greening, 1997; Cheney & Christensen, 2001; David *et al*., 2005), the results of this study suggest that *discretionary* and *relational* CSR practices can predict corporate values. *Moral* CSR practices had a large positive prediction relevance towards both corporate expertise and corporate values, suggesting that companies that engage in *moral* CSR activities could simultaneously improve two dimensions of corporate identity. CSR, hence, seems to play a central role in predicting the corporate identity of financial institutions. Prior research showed that banks are more oriented toward the community where they operate and are specifically characterised by their "social dividend" (Gardener *et al*., 1997; Pérez & Del Bosque, 2012).

Although corporate expertise had a larger influence on investment intention than corporate values, the results confirmed that the latter still plays an important role in investment decision-making. Specific corporate values traits (being an activist for social change, having compassion with society, and being sincere and trustworthy) were found to be important traits that potential investors consider when they make investment decisions. Shamma and Hassan (2009) likewise found that stakeholders' perception of vision, leadership and emotional appeal had a significant positive impact on behavioural intentions.

The results of this study suggest that the two dimensions of corporate identity mediate the link between CSR practices and investment intention. Each of the considered CSR practices had a stronger indirect effect on investment intention through corporate values than through corporate expertise. Investors' perceptions of CSR practices, hence, seem to impact their perception of corporate values which, in turn, have an effect on their investment intention. According to Brown and Dacin (1997), the primary influence of CSR perception on behavioural attributes is evident through the former's influence on the corporate identity mediator. The current results, furthermore, confirm Arikan *et al*.'s (2016) finding that the relationship between prospective investors' CSR perceptions and their intention to invest in a firm is partially mediated by their perception of the firm's corporate reputation.

Corporate identity could be a mediator between CSR familiarity and behavioural intentions (David *et al*., 2005). CSR familiarity has been found to have a direct significant positive impact on investment intention in this study. Given that neither corporate expertise nor corporate values were a mediator between CSR familiarity and investment intention, CSR familiarity seems to play an important role in ethical investment decision-making. This finding correlates with the notion that awareness of a firm's CSR initiatives enhances stakeholders' intention to buy shares (Sen *et al*., 2006; Alniacik *et al*., 2011). Efforts to provide investors with information about a particular company's CSR activities are, hence, likely to enhance investor intention.

Brand familiarity did not have a significant impact on the investment intention of the respondents. This result contradicts literature showing that individuals tend to invest in the shares of a company based on their familiarity with the company (Huberman, 2001; Subrahmanyam, 2008; Aspara & Tikkanen, 2008; De Bondt *et al*., 2013; Lim *et al*., 2013; De Vries *et al*., 2017). Given that the descriptive results have shown that the brand familiarity of Nedbank was very high in the sample, with very little variance, respondents were presumed to express an informed opinion when answering company-related questions. However, it seems that this high degree of familiarity contributed to the insignificant result, since the brand familiarity and investment intention constructs were both measured by only one item. David *et al*. (2005) also included a very familiar company (Microsoft) in their study and reported a similar result.

7.4 RECONCILIATION OF THE RESEARCH OBJECTIVES

Table 7.1 indicates that all the research objectives have been addressed. Reference is made to the relevant section(s) in the study.

Table 7.1: Reconciliation of the research objectives

Secondary objectives	How objectives were addressed	Reference in study
To assess the effect of CSR practices on the expertise and value dimensions of corporate identity.	Discretionary, moral and relational CSR practices play a central role in predicting corporate identity. Discretionary and relational CSR practices had more predictive relevance towards corporate values than corporate expertise, while moral CSR practices strongly predicted the perception of both dimensions.	Sections 2.6, 3.2, 3.3 and 6.3.3.1
To assess the importance of the expertise and value dimensions of corporate identity as part of individuals' intent to invest.	The perception of both corporate values and corporate expertise strongly predicted investment intention.	Sections 2.6, and 6.3.3.2
To assess whether CSR practices affect individuals' intent to invest through the dimensions of corporate identity.	Corporate expertise and corporate values acted as mediators between all types of CSR practices and investment intention, but the significance was weak.	Sections 2.6, 3.3.3, 3.3.4 and 6.3.3.3
To assess the effect of CSR familiarity on individuals' intent to invest.	The effect of CSR familiarity on investment intention was neither mediated by corporate values nor by corporate expertise. The results revealed that CSR familiarity had a direct significantly positive effect on investment intention.	Sections 3.3.2, 3.3.5 and 6.3.3.4
To assess the effect of brand familiarity on individuals' intent to invest.	Brand familiarity did not have a significant effect on investment intention.	Sections 2.3.4, 3.3.2 and 6.3.3.5

Only three of the 18 null hypotheses related to the secondary objectives were not rejected, as mentioned in Section 6.3.3.5.

7.5 RECOMMENDATIONS

Based on the main findings, recommendations are offered for several stakeholders, including CSR communication and marketing teams, the media, investors, educators, corporate training providers and CSR data providers. Specific recommendations are also provided for Nedbank.

7.5.1 Recommendations for corporate social responsibility communication and marketing teams

The considered *moral* CSR practices seemed to be more beneficial in enhancing potential investors' perceptions of corporate identity than *discretionary* and *relational* CSR practices. Communication and marketing teams are, therefore, encouraged to commence with their companies' CSR journey by addressing *moral* CSR practices. They should then continuously focus on CSR behaviour to attract potential investors.

Given the direct positive effect of CSR familiarity on investment intention, effective CSR communication and the promotion of CSR programmes are deemed essential to reap the benefits thereof for a company (Epstein & Roy, 2001; Maignan & Ferrell, 2001). More details on CSR practices should be included in integrated reports (or in a standalone social, environmental or sustainability report). Integrated reporting offers communication on value creation to current and potential investors (Del Bado & Nesheva-Kiosseva, 2017). As investors are concerned about value maximisation, the financial implications and impact of CSR initiatives should also be clearly communicated.

It is suggested that a specific section on a company's website should be dedicated to CSR initiatives. The internet is a cost-effective way to communicate with investors. Interactive CSR communication might capture potential investors' interest. Virtual tours of CSR initiatives and interactive charts covering CSR engagement and performance could considerably enhance transparent communication. Link(s) to CSR rating website(s) can also be provided to ease potential investors' access to concrete CSR scores. Marketing and communication teams can furthermore consider blogs, podcasts, forums, and other social media platforms to facilitate informal discussions with investors and other stakeholders. Such communication facilitates the readers' ability to perform their own analysis of financial and non-financial information and to communicate thoughts and opinions with CSR practitioners and other stakeholders (Del Bado & Nesheva-Kiosseva, 2017).

Some stakeholders could question whether companies are genuinely concerned about social and environmental considerations if their adverts are too self-promotional (Foreh & Grier, 2003). Grzesiuk (2017) argued that cause-related marketing might lack transparency and proper disclosure of information. Marketers should, hence, focus on the salience of the cause linked to a brand's business and mission (Marín, Cuestas & Román, 2016). A company's CSR commitment should be clearly communicated by providing resources, information and opportunities for involvement rather than just compiling a marketing message. Devin and Lane (2014) proposed that companies should invite their stakeholders to become involved in CSR initiatives to ensure that their CSR programmes are sustainable. Cause-related marketing seems to be more effective when the cause is of importance to stakeholders (Sheikh & Beise-Zee, 2011). Marketers could, furthermore, focus on CSR initiatives applicable to a specific sector such as in the banking industry. If a bank could relate to a CSR program focusing on financial literacy, the legitimacy of their practices might be enhanced.

7.5.2 Recommendations for the media

As CSR reports are sometimes not a credible source of information (Edelman, 2008), the media plays an important role in informing the public about a company's actual CSR practices. Details pertaining to CSR initiatives could be communicated through, inter alia, TV commercials, magazine articles and online articles (Du *et al*., 2010). Studies have shown that the media has considerable power to promote investment in CSR activities (Bertels & Peloza, 2008; Nikolaeva & Bicho, 2011; El Ghoul, Guedhami, Nash & Patel, 2019). It is important to actively report on the ongoing goals, progress and results of CSR programmes on multiple social channels to ensure ease availability of such information to young individuals (Lee, Zhang & Abitbol, 2019).

The media have the obligation to inform the public about CSR performance in general, rather than only report on scandals or extreme cases. They should, hence, report on both positive and negative CSR incidents. In line with Carroll (2011), it is suggested that CSR charts that report on the social responsibility of publicly traded companies should be regularly included on data websites, such as ShareData and Moneyweb, where share prices and volumes traded are reported.

The media tend to focus on the activities of prominent and publicly traded companies. It is recommended that the media should also report on the CSR initiatives of lesser known companies. As such, investors might be encouraged to invest in smaller socially responsible firms.

7.5.3 Recommendations for investors

Investors and potential investors are encouraged to educate themselves about corporate responsibility issues and the impact thereof on sustainable returns by reading integrated reports and news articles. They could also consider enrolling in a short course on CSR or SRI. Investors are urged to invest in a sustainable future by giving due consideration to financial and sustainability performance considerations when making investment decisions.

Investors are, furthermore, encouraged to voice their concerns and hold companies accountable for their actions. They can encourage more socially responsible business practices by engaging in private negotiations, file formal resolutions and/or vote at annual meetings (Maroun & Cerbone, 2020).

7.5.4 Recommendations for educators

Although some tertiary educators in South Africa give attention to non-financial considerations in business modules, there is room for improvement. Educators should integrate topics such as SRI, business ethics, stakeholder activism, integrated reporting and CSR communication in business management and accounting courses. It is also important that students are educated on moral behaviour and the psychological factors that can impact their financial decision-making. In addition to adapting teaching material, research-related seminars, online forums and discussion could be employed to promote sustainability-related values and attitudes among university students (Osiemo, 2012).

Millennials are increasingly deeming ESG investing a priority as they realise that it is possible and necessary to generate profit while proactively protecting people and the planet (deVere Group, 2020). Tertiary education institutions are, hence, encouraged to offer short courses (without requiring prior financial knowledge) on financial literacy, behavioural finance and CSR practices to educate potential investors from different backgrounds on how to approach SRI opportunities.

7.5.5 Recommendations for training providers and consultants

The results indicated that *moral* CSR practices have the largest impact on corporate identity. As such, local companies could consider providing (more) training on ethical decision-making and the prevention of corruption for directors and managers. The Ethics Institute (2020) could assist in providing such training.

Lower-level employees should also be educated on their company’s CSR issues and programmes to ensure their support in this regard. Consultants such as Hill+Knowlton Strategies South Africa (2020), CSI Solutions (2020) and Behold (2020) provide strategic CSR advice to South African companies to assist in driving sustainable corporate growth.

These consultants specialise in building CSR programmes that are authentic to the purpose of a specific company. They also offer workshops to assist companies to communicate details on their CSR programmes. Clear CSR communication might attract more investors in future.

Internal auditors should also receive (more) training to report on their firms' financial and non-financial considerations to ensure clear stakeholder communication. The IoDSA and JSE (2020), as well as the Integrated Reporting Council (IRC) of South Africa (2020) provide accredited online training courses on integrated thinking and reporting to South African companies. Companies are encouraged to utilise these opportunities.

7.5.6 Recommendations for corporate social responsibility data providers

Since the results indicated that a concrete CSR score had a positive impact on investor intention, it is recommended that companies should engage with data providers to develop a CSR score for their company. CSR data providers, such as CSRHub and Bloomberg, should aim to provide CSR scores for more companies in South Africa. They should continuously access and update their scoring criteria. CSR databases should also be marketed more effectively to inform the public. CSR data providers should investigate options to provide the data in a more affordable form to individual investors.

7.5.7 Recommendations for Nedbank

Although Nedbank states that they are "progressing towards being more innovative" in their Sustainable development review for the year ended 31 December 2018, the respondents did not deem Nedbank as innovative and an activist for social change. Nedbank is, hence, encouraged to improve their corporate identity image by focusing on these two areas. As a positive corporate identity has been shown to have a direct positive impact on investment intention, it is recommended that Nedbank should consider the communication recommendations proposed in Section 7.5.1.

Nedbank received high ESG ratings on several platforms (FTSE Russel, Thomas Reuters, and Sustainanalytics) as compiled in their sustainability report and is commonly considered as the "green bank" (Nedbank Group, 2018). Nedbank furthermore invested 4.7 per cent of their total CSI in staff volunteerism initiatives in 2018 (Nedbank Group, 2018). Respondents, however, indicated that Nedbank performs poorly in addressing climate change, reporting on their environmental impact and allowing their staff to engage in volunteer work. Despite Nedbank's considerable investment in CSR, the considered potential investors were unfamiliar with Nedbank's continuous management of their energy use, investment in renewable-energy, investment in sustainable agricultural practices and staff initiatives. Nedbank should, hence, ensure that investors and other stakeholders are properly informed about their CSR initiatives. As young individuals, in particular, are passionate about social responsibility (Junkus & Berry, 2010; deVere Group, 2020), improved knowledge about the bank's CSR initiatives might considerably influence their investment decisions in future.

Research suggests that large corporations should caution against sending CSR messages via social media that seem like "self-promotional advertising" (Klein, 2012). Young individuals often do not become aware of a company's CSR activities through formal CSR reporting (Lee *et al*., 2019), but rather through non-formal corporate sources such as staff narratives (Du *et al*., 2010). Young Nedbank employees could, for example, share their volunteering CSR experiences on the company's website. Such communication could enhance authenticity.

7.6 LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

Some limitations became evident during the research process pertaining to the considered company and sample. Only one company was included in this study. Future researchers could expand the study by incorporating more companies that differ in size, familiarity and reputation and which operate in different sectors. Pertaining to the sample, the study was undertaken among students, whose investing experiences are more limited than those of working adults. The external validity of a similar study could be improved by using a sample comprising non-student participants.

A self-administered online questionnaire was distributed among a convenience sample of potential investors during a specific point in time. The results could, therefore, not be generalised to the South African investor population. Self-administered questionnaires are prone to a number of potential biases. Response bias could occur when respondents consciously or unconsciously answer questions with a certain slant that misinterprets the truth, especially if they did not clearly understand the question(s). Self-selection bias might also have occurred, since individuals that feel more strongly about CSR might have been more likely to respond to the survey. Future researchers could, therefore, consider qualitative data collection methods or employing a mixed methods approach including interviews, experiments and/or simulation. They could, furthermore, consider a longitudinal design to assess whether the reported trends related to CSR perception, CSR familiarity, brand familiarity and investment intention change over time.

Limitations pertaining to the measurement scales include that brand familiarity and investment intention were measured by single items. Although similar previous studies also measured familiarity and behavioural intention constructs with single item scales (Lemmink, Schuijf & Streukens, 2003; Sen *et al*., 2006; Edwards, Lee & La Ferle, 2009; Wang, 2010), it is recommended that future researchers include more items to measure brand familiarity and investment intention. For example, the brand familiarity measure could be improved by asking respondents if they are familiar with the company's products or services and whether they have previous experience with these products or services (Foroudi, Melewar & Gupta, 2014).

Relational and *discretionary* CSR practices were determined by considering only two scale items. The CSR scales were based on the CSR practices considered by South African CSR rating agencies. It is suggested that future researchers increase the number of items included in the CSR scales. The *discretionary* CSR practices scale could, for example, be expanded by including support for specific charitable areas (such as hunger, domestic violence, HIV/AIDS and/or cancer). Other factors that ethical investors consider when they make investment decisions that influence a company's long-term sustainability, such as disaster preparedness or crisis management planning, could also be included in the model. Other viable variables that could mediate the relationship between CSR and investment intention could be investigated.

7.7 CONCLUDING REMARKS

Corporate investment in CSR practices is a pressing concern globally and locally. It is, hence, essential to understand how perceptions of CSR practices impact decisions made by different stakeholders. This study revealed that CSR practices have a positive impact on investment intention through the dimensions of corporate values and corporate expertise. In line with the opening quote in Chapter 1, the study emphasised that enhanced focus on CSR is beneficial to companies and investors. Consequently, the researcher believes that the study would encourage South African companies to increase their investment in CSR practices as well as potential investors to make (more) ethical investment decisions.

It is important to acknowledge that investing in corporate sustainability is essential to ensure a future that consists of shared value for all South Africans. Currently, it seems as if individuals and corporates increase their financial and environmental debt and call it “economic growth”. However, we cannot keep on consuming resources and expect to create a sustainable future. It is, therefore, not a question of whether we should exchange our consumerism culture for a culture driven by sustainable investing but, rather, when. Rob Hopkins (2008), an activist and writer on environmental issues said: “I am not afraid of a world with less consumerism, less ‘stuff’ and no economic growth. I’m far more frightened of the opposite.” Ethical investing is essential for the long-term survival of people, profits and the planet.

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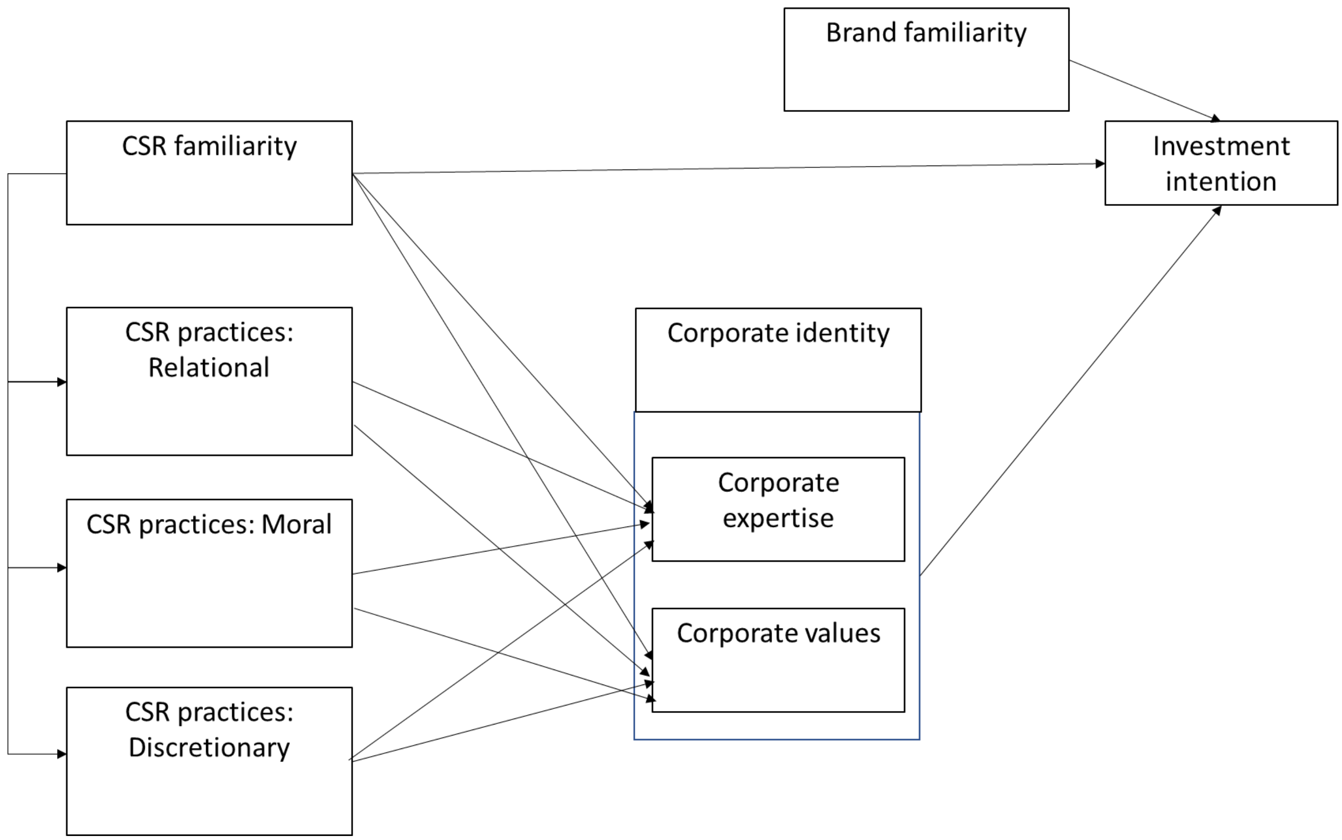
APPENDIX A: DUAL-PROCESS MODEL ADJUSTED FOR THIS STUDY



Source: Adapted from David *et al*. (2005)

APPENDIX B: PAPER-BASED QUESTIONNAIRE CONSENT FORM

UNIVERSITEIT•STELLENBOSCH•UNIVERSITY
jou kennisvennoot • your knowledge partner

STELLENBOSCH UNIVERSITY
CONSENT TO PARTICIPATE IN RESEARCH

Dear prospective participant

My name is Kara Nel, a student at the Department of Business Management in the Faculty of Economic and Management Sciences. I would like to invite you to take part in a survey, the results of which will contribute to a research project in order to complete my MCom.

The purpose of this study is to investigate the role that perception of corporate identity and corporate social responsibility (CSR) practices play in individuals' intent to invest in a company. An existing model based on consumer behavioural constructs will be adapted and applied. We will account for the bond between an investor and a specific company in terms of corporate identity, including expertise, skill, experience, innovation and corporate values. The perceptions of investors of the specific company's CSR practices (pertaining to relational, moral and discretionary) will also be investigated.

In this session, your familiarity with certain South African companies will specifically be investigated. The session will therefore contain questions covering brand familiarity and CSR familiarity with South African companies.

Please take some time to read the information presented here, which will explain the details of this project and contact me if you require further explanation or clarification of any aspect of the study. Also, your participation is **entirely voluntary** and you are free to decline to participate. If you say no, this will not affect you negatively in any way whatsoever. You are also free to withdraw from the study at any point, even if you do agree to take part.

If you have any questions or concerns about the research, please feel free to contact the researcher K. Nel at 18320260@sun.ac.za and/or the supervisors, Prof P.D. Erasmus at pde@sun.ac.za and Dr N. Mans-Kemp at nadiamans@sun.ac.za.

RIGHTS OF RESEARCH PARTICIPANTS: You may withdraw your consent at any time and discontinue participation without penalty. You are not waiving any legal claims, rights or remedies because of your participation in this research study. If you have questions regarding your rights as a research participant, contact Ms Maléne Fouché [mfouche@sun.ac.za; 021 808 4622] at the Division for Research Development. You have right to receive a copy of the Information and Consent form.

If you are willing to participate in this study please sign the attached Declaration of Consent and hand it in to the researcher K. Nel or Prof P.D. Erasmus by placing it in the available box.

DECLARATION BY PARTICIPANT

By signing below, I …………………………………..……………………………………………. agree to take part in a research study entitled Assessing the role that perception of corporate identity and CSR practices play in the investment intention of potential individual investors, conducted by K. Nel.

I declare that:

- I have read the attached information leaflet and it is written in a language with which I am fluent and comfortable.
- I have had a chance to ask questions and all my questions have been adequately answered.
- I understand that taking part in this study is **voluntary** and I have not been pressurised to take part.
- I may choose to leave the study at any time and will not be penalised or prejudiced in any way.
- I may be asked to leave the study before it has finished, if the researcher feels it is in my best interests, or if I do not follow the study plan, as agreed to.
- All issues related to privacy and the confidentiality and use of the information I provide have been explained to my satisfaction.

Signed on …………..…………..

………………………………………………………………

Signature of participant

SIGNATURE OF INVESTIGATOR

I declare that I explained the information given in this document to ___________________ [*name of the participant] [H*e/she] was encouraged and given ample time to ask me any questions. This conversation was conducted in English and no translator was used.

____ _______________

Signature of Investigator Date

APPENDIX C: PAPER-BASED QUESTIONNAIRE

Question 1:

When you think about corporate social responsibility (CSR), which South African company comes to mind if you think of a company with a good CSR reputation?

Question 2:

Please indicate how familiar you are with the following banks.

Company	Not at all familiar	Somewhat familiar	Neutral	Familiar	Extremely familiar
FNB First National Bank					
absa					
CAPITEC BANK					
Standard Bank					
NEDBANK					

Question 3:

Are you a client of any of the banks mentioned in Question 2?

Yes	
No	

Question 4:

If yes, please provide the name(s) of the bank(s) of which you are a client.

Question 5:

Name the South African bank that you consider having the best CSR reputation?

Question 6:

Please indicate how familiar you are with the following retailers.

Company	Not at all familiar	Somewhat familiar	Neutral	Familiar	Extremely familiar
SHOPRITE					
Pick n Pay					
W WOOLWORTHS					
SPAR					

Question 7:

From which of the retailers mentioned in Question 6 do you make most of your purchases?

Question 8:

Name the South African retailer that you consider having the best CSR reputation?

Question 9:

Please indicate how familiar you are with the following mobile network providers.

Company	Not at all familiar	Somewhat familiar	Neutral	Familiar	Extremely familiar
vodacom					
Cell C CONNECT YOUR WAY					
MTN					

Question 10:

Are you a client of any of the mobile network providers mentioned in Question 9?

Yes	
No	

Question 11:

If yes, please provide the name of the service provider that you use?

Question 12:

Name the South African mobile network provider that you consider having the best CSR reputation?

Thank you for your participation.

APPENDIX D: ELECTRONIC CONSENT FORM

UNIVERSITEIT•STELLENBOSCH•UNIVERSITY
jou kennisvennoot • your knowledge partner

CONSENT TO PARTICIPATE IN RESEARCH

Dear prospective participant,

My name is Kara Nel, and I am a student at the Department of Business Management in the Faculty of Economic and Management Sciences. I would like to invite you to take part in a survey, the results of which will contribute to an MCom research project.

Please take some time to read the information presented here, which will explain the details of this project. Your participation is entirely voluntary and you are free to decline to participate. If you decline, this will not affect you negatively in any way whatsoever. You are also free to withdraw from the study at any point in time, even if you initially agreed to participate. If you choose to withdraw during the process, your responses will be deleted.

The purpose of this study is to investigate the role of perception of corporate identity and corporate social responsibility (CSR) practices on individuals' intent to invest in a company. An existing model based on consumer behavioural constructs was adapted and will be applied. The corporate identity of a company, which includes factors such as expertise, skill, experience, innovation and corporate values, are incorporated in the model. The perceptions of potential investors relating to a specific company's CSR practices (relational, moral and discretionary) will also be investigated.

The survey will take approximately 20 minutes of your time and contains a combination of questions relating to CSR and investment decisions. Please complete all the questions.

If you participate in the study, you could enter a lucky draw and stand a chance to win an Apple iPad. Once you have completed the survey, you will have the option to enter the lucky draw by providing your student number. Your survey responses will not be linked to your student number. The winner of the lucky draw will be randomly selected within four weeks following the closing date of the survey. The winner will be contacted via email to arrange delivery of the Apple iPad.

RIGHTS OF RESEARCH PARTICIPANTS:
You have the right to exit the survey at any time without giving a reason. You are not waiving any legal claims, rights or remedies because of your participation in this research study. If you have questions regarding your rights as a research participant, contact Mrs Maléne Fouché [mfouche@sun.ac.za; 021 808 4622] at the Division for Research Development.

Your responses to the survey will be protected as the data will be kept under secure password- protected conditions at all times. Only the researcher and supervisors will have access to the data.

If you have any questions or concerns about the research, please feel free to contact the researcher Ms K. Nel (18320260@sun.ac.za) and/or her supervisors, Prof P.D. Erasmus (pde@sun.ac.za) and Dr N. Mans-Kemp (nadiamans@sun.ac.za).

Please feel free to print a copy of this consent form to keep for your records.

I confirm that I have read and understood the information provided for the current study.	YES	NO
	☐	☐
I agree to take part in this survey.	YES	NO
	☐	☐

APPENDIX E: ELECTRONIC QUESTIONNAIRE

This survey forms part of a research study conducted at Stellenbosch University by an MCom student. Completing the survey is voluntary and if you feel uncomfortable during any stage of the survey, you are welcome to withdraw from the study in which case your responses will be deleted. The survey is completed on an anonymous basis and all responses will remain confidential.

The questionnaire will take approximately 20 minutes to complete. Please answer all the questions as honestly and accurately as possible, by clicking on the block that best describes your answer and by completing open-ended questions where applicable.

<u>Question 1:</u>

Please indicate your gender:

Male	
Female	
Prefer not to say	
Prefer to self-describe	____________________

<u>Question 2:</u>

Please indicate your age:

17		23	
18		24	
19		25	
20		26	
21		27	
22		>27	

Question 3:

How familiar are you with the following company? 'Familiarity' refers to the acquaintance with or knowledge of something (e.g. a company).

Company	Not at all familiar	Somewhat familiar	Neutral	Familiar	Very familiar
NEDBANK					

Question 4:

In your opinion, to what extent does each of the following traits describes Nedbank?

NEDBANK	Does not describe the company	Somewhat describes the company	Neutral	Describes the company	Accurately describes the company
Expert in products and services delivered					
Innovative (introduce new ideas in products and services delivery)					
Have skilled employees					
Experienced in the banking sector					
Activist for social change					
Compassionate by contributing to the well-being of the community					
Sincere in caring for stakeholders					
Trustworthy					

Question 5:

Please indicate whether you are an undergraduate or a postgraduate student:

Undergraduate	
Postgraduate	

Question 6:

Companies have various options when they consider contributing to the community and society at large. The following practices relate to corporate social responsibility (CSR) and corporate governance as a driver of CSR. In your opinion, how important is each of the following practices when you think about the CSR concept?

Practices	Not at all important	Somewhat important	Neutral	Important	Very important
Contribute to the community through charitable giving					
Allow time for staff to do volunteer work					
Do not produce products or services that could harm consumers					
Respect human rights					
Provide equal compensation for work of equal value					
Stand against discrimination based on race, gender, or religion					
Provide a healthy work environment					
Address climate change					
Report on how they reduce their environmental impact					
Act in an environmentally friendly manner					
Have a diverse board of directors					
Have healthy relationships with their stakeholders					
Do not engage in unethical practices such as bribery and corruption					

Question 7:

In the previous question you rated the perceived importance of several CSR practices. For this question, please rate how you think Nedbank performs relating to the following CSR practices:

NEDBANK	Performs very poorly	Performs poorly	Neutral	Performs well	Performs very well
Contribute to the community through charitable giving					
Allow time for staff to do volunteer work					
Do not produce products or services that could harm consumers					
Respect human rights					
Provide equal compensation for work of equal value					
Stand against discrimination based on race, gender, or religion					
Provide a healthy work environment					
Address climate change					
Report on how they reduce their environmental impact					
Act in an environmentally friendly manner					
Have a diverse board of directors					
Have healthy relationships with their stakeholders					
Do not engage in unethical practices such as bribery and corruption					

Question 8:

Based on your allocated ratings for Nedbank's CSR practices in the previous question, please indicate how likely you are to invest in Nedbank's shares:

NEDBANK	Very unlikely	Unlikely	Neutral	Likely	Very likely

Question 9:

Have you ever invested in the shares of a company before? (This could be any company, not necessarily Nedbank).

Yes	
No	

Question 10:

If yes, please name the investment platform that you have used.

____

Question 11:

Please indicate how familiar you are with the following actual CSR practices of Nedbank:

NEDBANK	Not at all familiar	Somewhat familiar	Neutral	Familiar	Very familiar
Nedbank's back-to-school campaign and sport development programme provide children with uniforms and other basic school items.					
Nedbank addresses climate change by continuously improving their management of energy and greenhouse gas emissions. Nedbank does this by setting intensity reduction targets and investing in renewable-energy generation for their operations.					
Nedbank invests in sustainable agricultural practices through the World Wide Fund for Nature (WWF-SA).					

Question 12:

Now that you have been informed about Nedbank's actual CSR activities as listed in the previous question, please indicate again how likely you are to invest in Nedbank's shares:

NEDBANK	Very unlikely	Unlikely	Neutral	Likely	Very likely

Question 13:

Suppose Nedbank's CSR score is 88% (0% indicates that there is no evidence of CSR practices and 100% represents an outstanding CSR score). Please indicate once again how likely you are to invest in Nedbank's shares:

CSR score: 88%	Very unlikely	Unlikely	Neutral	Likely	Very likely
NEDBANK					

Question 14:

Please select the appropriate option. My degree falls under the Faculty of (select more than one faculty if applicable):

AgriSciences		Medicine and Health Sciences	
Arts and Social Sciences		Science	
Economic and Management Sciences		Military Sciences	
Education		Theology	
Engineering		Other	
Law			

Thank you for your participation. Please provide your email address if you wish to be entered into the lucky draw to win an Apple iPad.

Email address	

APPENDIX F: DECLARATION OF LANGUAGE EDITING

Elizma Beets

Attorney, Notary, Conveyancer

LLB (UPE) LLM (Commercial Law)(UNISA)

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22 June 2020

DECLARATION BY LANGUAGE PRACTITIONER

To whom it may concern,

I declare that by nature of qualifications and experience I am competent to check the language usage in a treatise document.

I certify that I have read the Master's Thesis **ASSESSING THE ROLE THAT PERCEPTION OF CORPORATE IDENTITY AND CORPORATE SOCIAL RESPONSIBILITY PRACTICES PLAY IN INDIVIDUALS' INVESTMENT INTENTION** prepared by student Kara Nel. I certify that the language usage and structure of the document comply with accepted sound English language usage and scholarly writing norms.

Regards,

Elizma Beets

APPENDIX G: ORIGINALITY REPORT

18320260_NEL_K

ORIGINALITY REPORT

27%	15%	12%	17%
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